

iGT UNC / iGT INC Consultation Response

| Date | 13 th September 2010 | | | | | | | | | | | | | | |
|--|---|--------------------|--------|---|----|---|----|--|----|--|----|--|----|--|----|
| Reference | iGT028 Modification Proposal Consultation | | | | | | | | | | | | | | |
| Title | Remove the Must Reads process for annually read sites | | | | | | | | | | | | | | |
| Respondee | Paul Edwards GTC/GPL/UGI | | | | | | | | | | | | | | |
| Position on the Modification | Do not support Modification | | | | | | | | | | | | | | |
| <p>Facilitation of the relevant objectives <i>How this proposal will, if implemented, better facilitate the “code relevant objectives”, as defined in Standard Condition 9 of the Gas Transporters Licence. For those answered Yes to, please provide a detailed explanation below the table.</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Relevant Objective</th> <th style="text-align: center;">Yes/No</th> </tr> </thead> <tbody> <tr> <td>a. the efficient and economic operation of the pipe-line system to which this licence relates</td> <td style="text-align: center;">No</td> </tr> <tr> <td>b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters</td> <td style="text-align: center;">No</td> </tr> <tr> <td>c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence</td> <td style="text-align: center;">No</td> </tr> <tr> <td>d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers</td> <td style="text-align: center;">No</td> </tr> <tr> <td>e. so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers</td> <td style="text-align: center;">No</td> </tr> <tr> <td>f. so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code referred to in paragraphs 2 and 5 respectively of this condition</td> <td style="text-align: center;">No</td> </tr> </tbody> </table> <p><i>Full responses contained within Additional Information and Comments Section</i></p> | | Relevant Objective | Yes/No | a. the efficient and economic operation of the pipe-line system to which this licence relates | No | b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters | No | c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence | No | d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers | No | e. so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers | No | f. so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code referred to in paragraphs 2 and 5 respectively of this condition | No |
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| <p>Likely impact on environment? <i>How this proposal will, if implemented, impact on greenhouse gas emissions? N/A</i></p> | | | | | | | | | | | | | | | |
| <p>Implementation issues including impact on your systems N/A</p> | | | | | | | | | | | | | | | |

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1. What does this modification deliver?

We do not believe that simply removing the Must Read process for annually read sites will further the relevant objectives or protect consumers. We believe that this modification actually raises more issues than it addresses.

If IGTs do not perform meter reading as a backstop, who will?

Despite the fact that Pipeline Users are obligated to submit regular meter readings to IGTs for annual read meters under the IGT UNC (Section E Clause 3 Page 77), this does not happen consistently across the GTC portfolio. Quite simply, if it did, GTC would not have cause to read these meters and this modification would not have been proposed.

If we deal with the facts on the GTC portfolio, for the 12 month period 1st July 2009 to 30th June 2010, GTC undertook [REDACTED] Must Reads – had we received meter readings from the Pipeline Users for these premises they would not have been required.

In the modification proposal, the proposer has suggested that “for a variety of reasons the reading is not sent by the Pipeline User or when sent it is not accepted by the Pipeline Operator on receipt”

For the 12 month period 1st August 2009 to 31st July 2010 GTC processed a total of 1,164,438 meter readings received from Pipeline Users.

806,879 reads were accepted, 357,559 were rejected (full details contained in Annex 1)

49% of rejections (175,779) were as a result of duplicated submissions.

The simple conclusion that can be drawn from this is that Pipeline Users need to review their internal processes. It is not appropriate, or in the interests of consumers, to amend the IGT UNC to the detriment of the customer who is likely to receive an estimated bill should meter readings either not occur at all, or fail to find their way onto Suppliers billing systems accurately for IGT premises.

It is imperative that this clause remain in the IGT UNC. Without the backstop position there is a significant risk that consumers will continue to be billed using estimates – a situation that will persist until smart meter exchange is complete.

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2. Number of 2 Year Safety Inspections Undertaken Jeopardised

In the modification proposal, the proposer states "Suppliers have a licence obligation to inspect a meter every two years on the grounds of safety, and it is generally anticipated that a meter reading accompanies the inspection notification from the Pipeline User to the Pipeline Operator. Pipeline Users can normally fulfil their obligations under Section E4.1 to provide a meter reading every 24 months for Small Supply Points by combining their code and licence obligations into one process."

In the Supply Licence Review 2007 Final Proposals Document dated 1st June 2007, it also stated that:

"2.54. The ERA Risk Assessment has not allowed ERA suppliers to collectively call for the removal of the current obligations. Nor is there a consensus amongst suppliers as to how the obligation could be modified to provide sufficient assurance in respect of safety and theft."

Similarly, the Ofgem "Review of Metering Arrangements Scope Open Letter dated 6th July 2010¹ reinforces the requirement to carry out a 2 year safety inspection:

"The rollout of smart meters may provide evidence that would permit the two year meter safety inspections to become less frequent. Ofgem will consult with Health and Safety Executive (HSE) if requests from suppliers to exempt them from this licence condition are received. However, it will not form part of this review. It is likely that any changes to the obligation will be subject to a formal consultation process to ensure that stakeholders are able to consider the proposal(s) and their impact upon their business and safety regime."

It is our experience that, where no meter read file has been received for a Small Supply Point, no confirmation that a meter safety inspection has taken place has been received either.

GTC carry out a safety inspection when undertaking every Must Read. There is a great risk associated with removal of our ability to carry on this function on our networks where it appears that suppliers have not carried out this statutory duty.

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<http://www.ofgem.gov.uk/Markets/RetMkts/Metrng/Comp/Documents1/Review%20of%20Metering%20Arrangements%20Scope%20Open%20Letter.pdf>

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1. Facilitation of the Relevant Objectives

| Relevant Objective | Yes/No | Why? |
|---|--------|---|
| a. the efficient and economic operation of the pipe-line system to which this licence relates | No | <p>The absence of meter readings for Smaller Supply Points affects GTCs ability to:</p> <ul style="list-style-type: none"> Conduct an AQ Review Process in a complete and robust manner in accordance with Non Daily Metered Network Exit Agreement Monitor Loads at the CSEP which may in turn require physical amendments in accordance with the Non Daily Metered Network Exit Agreement Identify potential instances of theft of gas Identify any safety issues that may arise from visits |
| b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters | No | <p>The absence of meter readings for Smaller Supply Points materially affects the Large Transporters as follows:</p> <p>If reads are not received, AQ Review is affected which, in turn, increases the likelihood that CSEP charges under Reconciliation by Difference become further distorted as IGTs will be reporting NEXA AQ values and not actual values.</p> <p>Any deterioration in reading provision to the IGT reduces the visibility of potential CSEP Load breaches.</p> <p>This would represent a deviation for what is contained within the Large Transporters UNC and indeed what is required/allowed of them.</p> |
| c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence | No | <p>Any degradation in meter reading provision to the IGT materially affects the ability to fully comply with obligations contained within the IGT UNC (Section CI Clause 6.2 Page 14) relating to Annual Quantity</p> |
| d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers | No | <p>Should read provision deteriorate, there is a risk introduced that the transportation charges levied by the GDNs under RbD will become distorted and misallocation will ensue which would certainly not be in the interests of some of the larger RbD Shippers. At a time when IGTs are working hard to see the removal of IGT surcharges, we do not want to see further issues introduced into the IGT arena.</p> |

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| <p>e. so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers</p> | <p>No</p> | <p>N/A</p> |
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| <p> </p> | | |
| <p> </p> | | |

Completed forms should be returned to the iGT UNC Representative, Gemserv Ltd at iGT-UNC@gemserv.com or faxed to 020 7090 1001