

TRANSCO CONSULTATION REPORT ON PC55

Charges for Daily Meter Readings

1. TRANSCO'S INITIAL PROPOSALS

Transco consulted on charges for the provision of daily meter readings to shippers with Daily Metered (DM) supply points. The same methodology as that for the present charge has been used to derive a new charge specifically for the Meter Reading elements relating to DM dataloggers. Transco proposed that the charge for this Meter Reading service should be £390 per DM datalogger per annum. This charge would include the annual check read so that the separate charge for the annual check read would cease. The charge would be levied, as at present, on a daily basis. PC 54 contained proposals for separate charges for the Metering elements of DM dataloggers.

2. SUMMARY OF RESPONSES

In total there were 12 responses, 11 from shippers, and one from a user:

Shippers	Alliance Gas Ltd	AGL
	BP Gas Marketing	BPGM
	British Gas Trading	BGT
	Eastern TXU	TXU
	Elf Gas and Power	EGP
	Northern Electric	NE
	Npower	NP
	PowerGen	PG
	Shell Gas Direct	SGD
	Total GM	TGM
	V-is-on	V-is
Users or User Associations	Corus	Corus

One respondent (BPGM) supported the increased charge as improving cost reflectivity.

Four respondents [BGT, TXU, EGP, PG] thought the charge too high. Three shippers [BGT, SGD, V-is] suggested that phasing would be more appropriate.

One respondent [NP] commented that there was insufficient data and reasons to justify the increased charge.

2.1 Datalogger Administration

Two respondents [EGP,TGM] commented on the level of staff required for administration. One respondent [SGD] assumed the costs were for all dataloggers but averaged over only the DM dataloggers.

One respondent [TXU] wanted clarification that there was no element of cross subsidy between DM and NDM dataloggers.

One respondent [TXU] commented that it was not clear why a large increase in administration charge was necessary.

Transco's Response

Transco MR has calculated the administration cost for DM dataloggers alone by considering the year 2000 budget figures which reflect expected costs during 2000. A high level of staff is required in this area in order to meet the required standard of service of providing readings to shippers by 11.00am each day. There is a separate NDM administration team to deal with NDM datalogger administration and their costs have not been included in the DM analysis. Transco MR believes that this is the most appropriate measure of forward looking attributable costs for these activities.

2.2 Line Rental and Call Charges

Three respondents [BGT,TXU,TGM] commented on telephone charges. Specifically, what was Transco doing to reduce costs in this area. Also, whether the costs were simply a pass through of BT charges. One respondent asked if any alternatives to BT had been considered.

Transco's Response

Following negotiation with BT, revised rates were agreed for datalogger line rental and call charges from January 1998. No discount applies to line rental, but call charges have been discounted to reflect the high volume of daily calls. Suppliers other than BT have been considered and indeed used in the past. However, using BT for both lines and calls is considered to be the most robust arrangement. Negotiations are taking place at present as part of Transco's continual consideration of cost effective solutions. The proposed charges are based on a pass through of BT charges.

2.3 Total DM Datalogger Charges

Two respondents [AGL,TXU] commented on the level of total charges for DM dataloggers (Metering and Meter Reading charges). They stated that the costs would rise from £440 at present to £742, although phasing would imply an interim charge of £580 per DM datalogger for provision, installation and maintenance of the datalogger and for provision of the daily meter reading service.

Transco's Response

Total charges relating to DM dataloggers (Metering plus Meter Reading charges) will increase under these latest proposals. In order to reduce the short term effects on shippers and consumers, Transco MR has proposed phasing the move to a higher Meter Reading element of the charges. However, to avoid unduly deterring competition in these areas, Transco believes it is appropriate to set cost reflective charges.

2.4 **Review of costs prior to full implementation**

One Respondent [BPGM] commented that there was no process in place to revisit costs following audited actual costs to adjust for any over recoveries

Transco's Response

Transco MR has proposed that the increase in charge for a daily reading service be phased. The costs will be revisited prior to full implementation of the proposal. Over or under recovery is dealt with, in total, through the K factor in the price control formula and not through individual charges.

2.5 **Use of data by Transco PGT**

BPGM commented that Transco PGT should pay a part of the charges relating to DM dataloggers for its own use of the data.

Transco's Response

Transco makes limited use of daily volume data from dataloggers when balancing the system. The value to Transco and the corresponding benefit to all system users is not easily quantified, but the data from dataloggers only constitutes a small part of the information which facilitates daily balancing. This does not, however, affect the cost of providing dataloggers, and hence Transco does not believe it is appropriate to reflect this benefit in the proposed datalogger charge.

2.6 **Other Comments**

BGT questioned the 150% uplift for non-labour direct costs and support and sustaining costs.

BGT questioned the use of a fixed number of dataloggers in the derivation of the charges.

BGT asked what would happen to the under recovery arising from a phased charge. NE asked for clarification on how the proposal to treat the provision of daily reads would be applied in terms of transportation charges.

TXU commented that there should be a discount where there is more than one datalogger per supply point.

NP felt the timescale to implementation was too short.

PG was unhappy with the standards of service relating to datalogger readings.

Corus was disappointed that costs for I&C customers will be increased.

Transco's Response

The uplift of 150% to cover non-labour direct costs and support and sustaining costs has been based on the 1999 ABC costs and is consistent with the methodology used by Transco for a number of years.

The number of DM dataloggers was the latest figure at the time of the proposal. The number of DM dataloggers does not change rapidly. However, when the charge is revisited prior to full implementation of the proposal the latest available number will be used.

The proposed charge for the provision of daily reads would be a fixed charge per DM datalogger and be a Meter Reading charge, not a transportation charge.

Any under recovery arising from the introduction of a phased charge would be carried forward into Transco Meter Reading's allowed revenue for the following year. There would be no effect on Transportation revenue.

The only element of cost which could be lower on a multi datalogged supply point is that concerning repairs and maintenance. It is proposed that datalogger maintenance is covered under separate Metering charges, as detailed in PC54.

The timescale to implementation is as discussed with Ofgem. In order not to unduly constrain competition in this area, Transco MR needs to implement, as soon as practicable, cost reflective charges .

The target for DM datalogger reads is to provide 95% of daily readings by 11.00am each day. If the performance for an individual shipper falls below this level, liabilities are paid to the shipper concerned. There were some difficulties with datalogger readings at the end of 1998 and early in 1999 due to system problems. However these problems have now been resolved and performance since April 1999 has been above the 95% target level. Individual statistics for specific shippers may fall below 95% but the datalogger team are working closely with service providers to improve performance further where this occurs. Performance so far for the year 2000 averages 97.5%.

In order to set more cost reflective charges it is inevitable that some groups of customers will see increases in charges whilst others will see reductions. In areas where competition is to be encouraged, the setting of cost reflective charges is regarded as an important step. In the long term competition will provide incentives for efficiency and meeting customer requirements for the lowest possible charge.

3. TRANSCO'S FINAL PROPOSALS

Taking into account the views of respondents, Transco proposes, that in order not to unduly constrain competition, the charge for a daily meter reading service from a DM datalogger be the phased charge of £390 per DM datalogger per annum from 1 October 2000. The charge for the annual check read will cease on implementation of the proposed charge. There will be separate charges for provision, installation and maintenance of the datalogger itself, as detailed in PC54.