

TRANSCO PRICING CONSULTATION REPORT ON PC69

Opening Meter Reads: Review of Charge for Provision of Estimate

1. Transco's Initial Proposal

In PC69 Transco invited views on the appropriate charge when Transco provides a system generated opening read estimate for the below 73,200 kWh market sector. The charge would, as now, only apply where a shipper's opening read performance falls below 90% in any month. The following options were suggested:

1. Should the existing charge be reduced to a more cost reflective level of around £1.00? This would almost certainly lead to a reduction in read performance levels and an increase in the number of estimates required.
2. Should the existing charge be reduced to around £5.00 to take some account of the lower costs whilst still encouraging the provision of actual meter readings? This would have the additional merit of testing the price sensitivity of the levels of estimates required.
3. Should the charge be set at a level equal to the cost of obtaining an actual meter read plus the cost of obtaining an estimate (around £6.00)? This would ensure that shippers are provided with an incentive to provide actual meter readings.
4. Should the charge remain at the present level of £7.62 while the other issues are considered?
5. Should the charge be removed completely?

2. Summary of Responses

In total there were eleven responses:

Shippers

Amerada	AM
BP Gas Marketing	BPGM
British Gas Trading	BGT
Innogy	INY
PowerGen	PG
Scottish Power	SP
Scottish & Southern Energy	SSE
Shell Gas Direct	SGD
TXU Europe (Eastern)	TXU

Meter Reading Agencies

ECS Metering	ECS
Lowri-Beck (Viterra)	LB

- Three respondents (INY, PG, TXU) supported option 1 exclusively - to set the charge at the cost reflective level of £1.00. One respondent (SP) supported a charge in line with Transco's costs.
- Three (BGT, SSE, SGD) supported either option 1 or option 5, to remove the existing charge.
- One (AM) supported option 2 - to set the charge at £5.00.
- One (LB) supported option 3 - to set the charge at the sum of the cost of obtaining an actual meter reading and the cost of an estimate (around £6.00).
- One (ECS) supported option 4 - to leave the charge at the existing level of £7.62.
- One (BPGM) expressed no specific view.

2.1 Cost Reflectivity

Comments Received

The principle of setting a more cost reflective charge for the provision of an estimate was supported by seven shippers (BGT, INY, PG, SP, SSE, SGD, TXU). However there was support from the two Meter Reading Agencies (ECS, LB) for a deviation from this principle in order to allow the market in this area to develop and to encourage a higher level of actual readings, which may reduce disputes between suppliers and reduce levels of customer dissatisfaction.

Transco's Response

The existing charge was set at £7.62 in the expectation of a 90% read performance level. The actual level over the past two years has been between 60 and 65%. Reducing the charge to a lower level can only reduce the read performance level, which may further reduce customer satisfaction.

2.2 Incentive to provide Actual Reads

Comments Received

One shipper (INY) commented that reducing the charge would not necessarily lead to a reduction in the actual read performance. Two shippers (AM, SP) were concerned that a reduction in the charge would lead to a reduced incentive for shippers to provide an actual reading. Another three (SSE, SGD, TXU) commented that there were other drivers than the charge level, such as accurate bills, customer satisfaction and reducing customer complaints and the costs of dealing with disputes.

Transco's Response

Transco supports the comments made by the respondents. Transco believes shippers should not be discouraged from providing actual opening reads. Transco believes that reducing the charge for the provision of an estimated reading to a level below that for obtaining an actual meter reading can only provide a lower incentive than at present for shippers to obtain actual readings. This may lead to a reduction in customer satisfaction levels.

The additional drivers outlined firmly relate to retail activities between Suppliers and their end consumers. The current work being undertaken in establishing the SPAA Governance arrangements for Suppliers should give due consideration to how such future arrangements should be made to operate.

2.3 Quality of Estimates and the Responsibility for the Provision of Estimates

Comments Received

One shipper (BGT) was concerned about the accuracy of the estimates provided. This same shipper also commented that the responsibility for opening meter reads at supply point transfer should remain with the shipper. However, this shipper acknowledged that there may be a case for Transco to provide an estimate where shippers and suppliers are unable to provide their own estimate.

Transco's Response

The accuracy of the estimates is directly related to the quality of the data available from previous meter readings and the related Meter Point AOs. Transco believes that system generated estimates should only be used where a shipper/supplier has been unable to obtain an actual read. An actual or customer's own read is still the preferred case.

2.4 Other Comments

Comments Received

One shipper (INY) asked for clarification of the Agreed Reads process in the event of estimates being provided free of charge. The same shipper asked how any cost over recovery to date could be equitably returned to the shipping community.

One shipper (AM) commented that the threshold for charging could be reduced from the present 90% in order to reduce any over recovery relating to a system generated estimate.

One shipper (SP) commented that meter readings are necessary from domestic customers for use in the AQ process and also to reduce customer queries on transfer of shipper. This shipper also commented that it would welcome an incentive on shippers to provide opening reads, although not necessarily through Transco's charge for the provision of an estimate.

Transco's Response

Transco has suggested that if the resources currently allocated to deal with the Agreed Reads process and invoicing for the provision of estimated opening reads could be removed through the implementation of automatic systems, then the generation and provision of estimates could be done free of charge. This would only be possible if the updating of a system generated estimate by an Agreed Read was made using the 'U01 File' instead of the present manual system, and if Transco had no liability in relation to the quality of the estimate. This would also have to be conditional on the automatic update being used by all shippers, to allow the manual intervention to be dispensed with.

There has been no over-recovery because the revenue from this charge is part of Transco's allowed revenue which is maintained within the limits set by the price control formula contained in Transco's GT Licence.

Reducing the threshold for charging from the present 90% level is likely to act as a disincentive to providing an actual or customer reading.

Meter Readings (including system generated estimates and cyclic reads) are used in the Domestic AQ Review process to calculate the new AQ. The quality of the AQ therefore depends on the meter readings available and vice versa. As has already been indicated, Transco believes that reducing the charge for the system generated read to a level where it is cheaper than either an actual read or the obtaining of a customer read, would remove the incentive to obtain these reads. It is Transco's belief that this will in turn increase the provision of system generated estimates and thereby increase the Industry's costs associated in managing Shipper Agreed Reads.

3. Transco's Final Proposal

Transco believes that for supply point transfers for the less than 73,200 kWh market sector the provision of an actual/customer read is preferable to a system generated estimate. As noted in section 4 of PC69 the main costs to Transco are administration costs associated with the Agreed Reads process and invoicing of the charge. However, following the views expressed by the respondents to PC69 and with the aim of facilitating competition whilst setting cost reflective charges, Transco makes the following final proposal:

Transco proposes to continue to provide an estimated read on supply point transfer for the below 73,200 kWh market sector where a reading is not provided by the incoming shipper by D+7.

Transco proposes to reduce the charge to a more cost reflective level of £1.13 with effect from 1 April 2002. The charge would only apply where individual shipper opening read performance has fallen below 90% in any month.

It may be possible to reduce this cost reflective charge further if the automated process for Agreed Reads, described in section 2.4 were used instead of the present manual process since this would reduce administration costs. Under these circumstances it is likely that it would be cost reflective to remove the charge completely. Transco will consult on a further reduction in this charge, in due course, if the proposed automated process is acceptable to shippers.