



Commission for Energy Regulation

An Coimisiún um Rialáil Fuinnimh

Decision in respect of Bord Gáis Networks (BGN) Siteworks Charges

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Abstract:

This decision paper outlines the Commission's position with respect to BGN's Proposed Siteworks Charges. Following consultation with Industry, the Commission has decided to approve in full BGN's Siteworks Charges. These charges will be effective 19th January 2009.

The Commission would like to note that the actual prices published with this decision paper are inclusive of a 2.5% CPI uplift. Future Siteworks charges will be increased based on CPI on an annual basis in line with the current Period Contract terms.

Target Audience:

Gas Customers, Shippers, Suppliers and relevant industry stakeholders

Related Documents:

- CER/08/127 - Proposed BGN Siteworks Charges for 2009:
<http://www.cer.ie/en/gas-distribution-network-current-consultations.aspx?article=bb4768ef-ab2f-403b-aecd-ae1a3d763f59>
- CER/06/157 - Decision – Prepayment Metering policy:

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Executive Summary

This decision paper outlines the Commission's position with respect to BGN's Siteworks Charges. Following consultation with industry, which involved the publication of a consultation paper in July 2008, the Commission has decided to approve the Siteworks Charges laid out by BGN in their proposal document.

The decisions taken by the Commission in this paper are made in the interest of the customer. The Commission has received comments and has been in communication with shippers/suppliers during this consultation process. Respondents have indicated concerns about certain charges e.g. the pricing for lock/unlock or fitting of a prepayment meter, these have been responded to in Appendix A. One respondent expressed the view that the take-up of prepayment meters by customers or shippers would be hindered due to the prohibitively high cost. This issue is discussed further in Appendix A of the document.

Summary of Decisions:

- BGN's Siteworks charges are approved in full.
- From 19th January 2009 onwards, Siteworks charges will be laid out as those priced in the BGN proposal document. Final charges include CPI uplift of 2.5%.
- From 19th January all Siteworks charges will be increased based on CPI on an annual basis in line with the current Period Contract terms.

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1.0 Introduction

1.1 The Commission for Energy Regulation

The Commission for Energy Regulation ('the Commission') is the independent body responsible for overseeing the regulation of Ireland's electricity and gas sectors. The Commission was initially established and granted regulatory powers over the electricity market under the Electricity Regulation Act, 1999. The enactment of the Gas (Interim) (Regulation) Act, 2002 expanded the Commission's jurisdiction to include regulation of the natural gas market, while the Energy (Miscellaneous Provisions) Act 2006 granted the Commission additional powers in relation to gas and electricity safety. The Electricity Regulation Amendment (SEM) Act 2007 outlined the Commission's functions in relation to the Single Electricity Market (SEM) for the island of Ireland. This market is regulated by the Commission and the Northern Ireland Authority for Utility Regulation (NIAUR). The Commission is working to ensure that consumers benefit from regulation and the introduction of competition in the energy sector.

1.2 Purpose of this paper

The purpose of this paper is to outline and describe the Commission's decision with regard to BGN's Siteworks Charges. The Commission published a consultation paper in July 2008 seeking views from interested parties on the proposed charges. The Commission has considered fully the comments and submissions received. Issues raised throughout the consultation process will be addressed in this paper, as well as outlining the final decision on this topic.

1.3 Background Information

The Commission received three submissions to the consultation paper CER/08/127. Submissions were received from the following organisations:

- Airtricity
- Bord Gáis Energy Supply
- Flogas

The CER wishes to thank these respondents for their input.

In reaching its decision, the Commission has taken due account of the comments made in each submission. Appendix A summarises the responses received to the consultation. Individual responses, except those deemed commercially sensitive, will be published separately to this decision paper.

1.4 Structure of this paper

This paper is structured in the following manner:

- **Sections 2.0** provides background information on Siteworks charges.
- **Section 3.0** outlines the details of the Commission's decision with respect to the siteworks charges
- **Section 4.0** outlines the conclusions and next steps with respect to Siteworks charges.
- **Appendix A** summarises the responses received to the Commission's consultation and the Commission's view with respect to the responses.

2.0 Siteworks

2.1 Background

Siteworks can be defined as the process required to facilitate shippers/suppliers to arrange for changes or upgrades to the connection of an existing gas point or connection of a new gas point.

Siteworks charges detail a list of services (mainly alterations) which are carried out by BGN on behalf of customers and/or shippers/suppliers. Examples of the services provided include: meter lock, meter unlock, meter test/exchange and meter alteration. These services are optional and infrequent by nature. They are paid for by the customer or shipper/supplier, since they are not covered by distribution tariffs (which are paid through customer's final bills).

The charges are broken down into Customer, Supplier or BGN requested activities.

Each charge can be categorised into one of the distinct types: No Charge, Fixed, By Quotation or Full Cost Recovery.

BGN carries out all activities on behalf of Gaslink Independent System Operator Limited, the holder of the system operator licences in respect of the transmission and distribution systems.

The current suite of siteworks charges, approved in document CER/04/378 have been in operation since 2004 as part of the market opening programme. Charges outlined in proposal document CER08/128 are based on the 2008 Period Contract Rates. Included in the current siteworks charges document and additional to the previous suite is BGN's performance commitments, in which BGN outline their siteworks service standards. These can be read in conjunction with their customer charter published on the BGN website¹.

¹ <http://www.bordgais.ie/networks/index.jsp?pID=103&nID=641>

3.0 Commission's Decision

After careful consideration and examination of BGN's submission in relation to Siteworks charges for 2009, the Commission has pursuant to Gas (Interim) (Regulation) Act 2002, section 14.(3), decided to approve in full the charges laid out in the proposal document CER08/128. In making this decision the Commission has attempted to ensure that all parties are treated in a fair and reasonable manner. The decisions taken are premised in the interest of the customer.

A key issue in approving the charges has been how to deal with the cost of installing a prepayment meter. Prepayment metering has long been seen by industry as a means of facilitating a number of consumer protection issues including management of customer payment, budgeting and arrears. It could also be seen as a possible means by which shippers would negate the need for security deposits, it could help reduce the bad debt and potentially reduce debt hopping across all shippers.

Options suggested by a respondent include; allowing prepayment meter costs to be recovered through networks under the BGN revenue review, and the alternative option of the rental of prepayment meters being introduced. The Commission's decision is that customers who request a prepayment meter shall pay the full cost upfront. See Appendix A for further details.

Comments received also recommended that lock/unlock charges not be increased but in fact reduced. This comment and others posed by respondents are dealt with in Appendix A.

4.0 Conclusions and Next Steps

4.1 Summary

This paper outlines the Commission's position with respect to Siteworks Charges. Following extensive consultation with industry, which involved the publication of a consultation paper in July 2008 and also subsequent meetings and correspondence with the respondents, the Commission has decided to approve in full the Siteworks charges as set out in the proposal document CER/08/128.

4.2 Next Steps

The Commission will liaise with BGN, post publication of this document to ensure market messaging systems are upgraded to facilitate the new charges. The Commission have instructed BGN to publish a revised and more detailed version of the Siteworks Service Standards incorporating networks Customers' Charter on the BGN website.

Appendix A Comments and Responses

On the 18th July 2008 the Commission published CER/08/127 & CER/08/128 BGN's Proposed Siteworks Charges together with a Consultation Note. The Commission invited comments from interested parties by 12th September 2008. The Commission received a number of comments on various aspects. This section summarises those comments and outlines the Commission's response. The Commission appreciates comments received from respondents. The Commission's responses are in italics.

Airtricity & BGES welcome the structure of the proposed Siteworks charges. They believe it will make more transparent the cost drivers of the various services available. The provision of out of hour's services and move away from quotation to fixed charges for various sitework requests is also welcomed. Despite the above comments, Airtricity, BGES & Flogas have the following issues with the Proposed Siteworks Charges.

1. Commissioning Services

BGES stated 'they are alarmed at the proposal to introduce a new charge for fitting a Prepayment Meter for a new connection as there was no charge previously for this service, seeing that it was included in the connection fee paid by the customer'. BGES believe this proposal is at odds with the Commission's decision paper CER/06/114 Prepayment Metering Policy, which stated that customers or developers would be required to pay [only] the full differential cost of installing this type of meter.

BGES are of the opinion that the charge for fitting a Prepayment meter should be recovered over the life of the prepayment meter and not as an upfront charge. As they see it, these meters are predominantly used to assist customers who are most socially disadvantaged. They put forward the following two proposals with relation to the uptake of Prepayment meters:

- i) Costs for prepayment meters should be recovered through Networks. They feel this should be an allowed cost under the BGN revenue review.
- ii) Alternative option is the introduction of annual charges for pre payment meter. BGN would recover the additional capital through a rental charge, irrespective of Shipper or customer.

BGES also requested that the Commission and all market participants seek an alternative approach to full prepayment meters charges, as they believe they are prohibitively high and would render take-up by customers or Shippers almost non-existent.

The Commission has decided that customers or developers requesting the installation of prepayment meters should be required to pay the full differential cost of installing this type of meter. In arriving at its position the Commission has reviewed the options proposed by respondents including rental and allowed revenue.

The decision paper CER06/157 regarding prepayment meters direct that the incremental cost of the prepayment meter be made clear. It should be noted that a number of prepayment meters were made available to 'financial hardship' cases. The function of this paper is to examine the incremental cost not to revisit the decision to charge for the prepayment meter

All previous decisions with regard to prepayment metering made by the Commission in paper CER/06/157 will remain in place.

In making the decision to pass on the differential charges in full, the Commission does not actively discourage suppliers from developing options to offer prepayment meters, but it will be at their own risk.

2. Supply Restoration Services

Two questions were posed by the BGES & Flogas. BGES asked if the costs for providing the out of hours service compared to normal operating hours are reflective of the provision?

The Commission is satisfied that the costs for providing out of hours service compared to normal operating hours are cost reflective.

Also questioned was BGN's cost recovery in relation to supply restoration services. They questioned whether the charge for this high volume activity, together with costs for meters and aborted jobs etc, is funding BGN's shortfall in the recovery of their costs associated with their responsibility for providing safety related services.

The Commission has reviewed BGN's methods of cost recovery and is satisfied that any shortfall in BGN funding for safety related services is not recovered through other charges.

Flogas strongly opposed the concept of the two tiered pricing structure (normal hours and outside of normal hours), feeling that a single charge would be better.

The Commission recognise that it is beneficial to introduce this alternate service, (normal hours and outside of normal hours), as an option. The fact that it is priced higher reflects cost realities, as personnel conducting such work out of

hours are entitled to overtime payments. This option gives Shippers the choice to utilise the service if they wish.

3. Supply/Exchange Services

BGES stated 'the cost of exchanging a credit meter for the new prepayment meter is seen as excessive as it represents an increase of over 100% on the price of the current credit meter'.

The Commission has reviewed figures presented by BGN, and is satisfied that the new charge of €399.55 for a prepayment meter is the full differential cost of installing a prepayment meter versus a credit meter.

4. Investigational/Inspection Services

BGES welcomed BGN's stated position that they will schedule 4 actual meter reads at a customer's premises per annum. They hope this will decrease the volume of Special Read requests. They did, however, ask that a provision is made for a free Special Read Request in a premises which has been defined as 'Long Term No Access' by BGN to meter readers and where a customer is unable to provide the meter read.

The Commission welcomes BGN's statement that they will schedule 4 actual meter reads at a customer's premises per annum. BGES' request for a provision laid out above is outside the scope of this decision document. The Commission notes that the above requests are related to Revenue Protection procedures which are still under consideration. These representations should be made at the appropriate forum for further discussion.

BGES also questioned the increase for domestic meter testing. They asked that a provision could be made to provide an initial 'on site' investigation at a lesser or no charge in situations where unaccountable 'spikes' are recorded and no further action than a site visit is required to resolve the issue.

The Commission has reviewed the above question with BGN and is satisfied that the charge is based on current charges made to BGN which include exchange of meter, sending it away for testing, the actual testing and the provision of test results. BGN have indicated they have no facility for a BGN representative to test a meter on site. BGN have stated that if the shipper suspects an issue with the meter (i.e. tampering or general reading issue) they may avail of a site investigation job which is available free of charge. However, this is merely an inspection of the meter, and does not involve 'testing' the meter in any way, as it is not possible to facilitate testing on-site.

5. Decommissioning Services

BGES welcomed BGN's provision for out of hours services but asked whether additional administration activities will be required by BGN to manage changes and jobs required when introducing the increased fee for I/C meters up to G16 and the out of hours charge for 'Isolate Domestic & IC meter' up to G16.

Having discussed this with BGN the Commission is satisfied that a new administration activity will not be required in order to introduce the provision stated above. Shippers will request an isolate and BGN will invoice accordingly dependant on the type of meter involved.

Flogas have stated that they are adverse to the lock/unlock charges increasing and feel they should be reduced. They also stated that any under recovery by BGN should be by way of higher transportation charges, thereby spreading the cost across the entire domestic customer base.

In relation to Flogas' comment, the Commission does not agree with the idea of reduced charges. The Commission also does not agree that any under recovery in costs should be recovered by spreading the cost across the entire domestic customer base. The Commission is of the view that this practice would be unfair to the domestic customer base.

6. Non Completion of Activities

BGES feel the fee for Late Appointment Cancellation represents an unnecessarily increased cost to customers who can least afford it and increased administration to Shippers. They feel that the cut off should be revised to 1600hrs the day before the job appointment date rather than 1300hrs as it will have a significant impact on their credit control processes due to the nature of the work.

The Commission is satisfied with BGN's practice for late appointment cancellation. Work packages are delegated post the 1300hrs cutoff, therefore any late cancellation results in a potentially wasted resource. It is an understood practice that through the current suite of siteworks charges, that Shippers have been aware and highly compliant with this practice. The advent of hand-held technology will likely allow this deadline to be extended in the future.

BGES also feel that the 'Aborted Visit' charge is extremely high for meter related jobs, particularly if BGN are now not going to provide a second attempt before cancelling the job. They also noted BGN's omission of a second attempt to carry out Shipper Requested Lock Meter jobs free of charge.

In regard to the charge for 'Aborted Visit', the Commission agrees with the charge. This is a cost which is incurred for this service by BGN and should be

recovered. It is noted that in the event that a BGN representative does not gain access to lock a meter, the Shipper is not charged for a lock; instead the charge is for a lesser amount for an aborted visit.

In relation to a second attempt for locking a meter, the Commission notes that the above are related to Revenue Protection procedures which are still under consideration. Until such time as these are approved by the Commission, BGN are directed to continue to charge for services accordingly.

Flogas stated that they find the practice for charging for an attempted Meter lock unacceptable, as the service of actually getting a lock is not always carried out. They feel as BGN effectively charge for all calls (meter locked or not locked) that they have no incentive to be efficient.

The Commission does not agree with Flogas' view on the practice of meter locking. As appointments booked by shippers for debt management related isolation/disconnection are not agreed with the customers, customers are not aware of a visit and a relatively high level of no access is to be expected. BGN also incurs a service charge for the attempt and therefore should recover the cost. The Commission notes from discussion with BGN that the target of 60% (target for access Debt Management Related Isolation/Disconnection) for locking a credit meter is accurate. With the advent of the provision for out of hours services this figure should increase. The Commission note that breaking down these charges into the separate activities and to guarantee a lock/unlock would be considerably more expensive. If any higher costs, were passed on to all customers by the Transporter, a guaranteed lock cost would disadvantage those customers accessed first time.

7. Impact of Proposed Charges

BGES expressed concern about the impact of the proposals on their market messaging system. The Shippers need to maintain audit trails between siteworks job, the outbound market message and the proposed new charging structure, which brings about the following considerations:

- i) Required changes to the BGN extranet on how out of hour's appointments are displayed.
- ii) The new flags that are required on the outbound and inbound messages to make sure the resulting charge is what the shipper/customer expected. The inbound message should also contain a new flag to confirm it is an in/out of hours appointment.

The Commission has reviewed the above issues with BGN and believes that all charges should not be delayed due to a minor amount needing system changes. The Commission has been assured by BGN that it will be possible to handle some services on a manual/work-around basis or alternatively to collapse some

differentiated charges until such time as system changes permit their introduction. BGN have committed to working with Shippers to solve these issues. BGN have committed to implement the proposed changes to the market messaging system as soon as possible so as not to disadvantage Shippers.

8. Performance Commitments

In general all respondents welcome BGN's publication of performance commitments; however they have the following issues with the Siteworks Service Standards as they are currently presented:

- i) Airtricity are not in agreement with the rating of all services equally. They presume there should be a staggering of the service provisions, with some services having a priority rating, e.g. supply restoration service should require a much shorter turnaround time than currently published. With gas being such an essential commodity they expect supply restoration to be given priority treatment. They would also expect shorter turnaround times for meter disconnection and supply isolation services in a bid to stop energy theft and protect supplier's revenue. They also want a greater detailed breakdown of the service standards to which the Commission can hold BGN accountable.

The Commission has reviewed Airtricity's comments with BGN and is satisfied that the standards published in the proposal document are for turnaround of the meter read data and not for the physical work. It is understood that the physical works is carried out within 5 days. The Commission are satisfied with this performance commitment as published in Networks Customer Charter.

The Commission agree with Airtricity's comment that the Siteworks Service Standards had insufficient detail and have instructed BGN to expand the current table and to take into account networks customer charter. This has been updated in the revised Siteworks document. The Commission will review BGN's performance on an annual basis.

- ii) The 60% target for access with regard to Debt Management Related Isolation/Disconnection appointments is raised by BGEN & Airtricity. Airtricity would like to understand the basis for this figure; they along with BGEN feel this figure is a rather low target.

In respect to the 60% target for access (Debt Management Related Isolation/Disconnection), the Commission have reviewed this figure with BGN and is satisfied that the figure is derived from statistical data which indicates a 60% success rate for accessing premises to discontinue the gas supply for debt management. The low figure is due primarily to the customer not being made aware or welcoming the networks fitters visit.

- iii) BGES queried the Meter Test Standards. They asked does the timeframe include the actual testing and issuing of the test results to shippers.

BGN have indicated to the Commission that the timeframe refers to the exchange of the meter information only. In order to send a meter off for testing a replacement meter must be fitted. The standards do not include the sending off, testing and receiving test results for a meter. BGN have stated that the physical test/report is anticipated to take a maximum of 30 working days from the date of meter exchange.

- iv) BGES also requested that an additional standard be included to indicate how far ahead the 'Appointment Calendar' will be published on the BGN Extranet. In addition they also request a Query Resolution Procedure must be documented to handle disputed charges/appointments. BGES anticipate that measurement and reports on these standards will be published annually.

With regard to an additional standard being included to indicate how far ahead the 'Appointment Calendar' will be published, the Commission does not believe this should be an additional standard as it is not a performance related activity. BGN have confirmed that their extranet will allow shippers to book appointments thirty days in advance.

BGN have published a customer charter which outlines performance commitments. A complaint handling procedure is currently in place. These documents can be viewed on the networks website². The Commission is of the view that shippers who see this as an issue can raise their concerns at the shipper-transporter forums.

² <http://www.bordgais.ie/networks/index.jsp?pID=103&nID=641>

Siteworks Charging Proposals

Additions

No Charge

Since publishing the BGN proposal document CER08/128, the Commission has been made aware by BGN of minor changes that were not part of the original proposal. BGN have identified two services which are provided free of charge and they will continue to offer free of charge:

1. Provide Meter Box Key.
2. Replace Riser Cover.

Fixed Charge

BGN also propose to include a new administration charge. This proposed new charge of €20.50 is an administration fee for builders for rectifying meter mix-ups arising from late changes in street naming/numbering. This new proposed charge has a direct parallel to an ESB charge. The administration fee proposed by BGN of €20.50 is in line with its proposed late cancellation charge. The Commission has no issue with the administration charge and approves it in full.

Revisions

BGN have indicated to the Commission that following a review of their initial proposal they have identified 4 siteworks charges which they consider being impractical from a stand-alone or administrative perspective and for which they made the following proposal:

Activity Description	Proposed Charge
1: Restore Gas Supply > G16	Charge as for Isolate > G16 to apply
2: Isolate Meter > G16	Charge as for Isolate > G16 to apply
3: Disconnect Meter > G16	Invoice (full cost recovery) rather than Quote proposed
4: Test Meter > G16	Invoice (full cost recovery) rather than Quote proposed, subject to test results

With the first two of these, there was considered to be insufficient difference in activity above G16 to warrant distinct charging or indeed a distinct charging approach.

In the case of 3, and 4. GasMap in its initial configuration will not support a quotation process, so it is proposed to simply act on the respective disconnect or test request and charge on actual costs when known.

The Commission has reviewed the amended proposal and direct BGN to proceed as laid out above.

Deletions

On a further note BGN have requested the following deletion be made to their original proposal document. Meter related appointments are made with Shippers rather than directly with End User Customers and charges in respect of such appointments are invoiced to Shippers on a monthly basis.

Consequently, BGN considers it inappropriate to retain proposed late cancellation/aborted visit penalties aimed at End Users and proposes, that these be deleted from the final version document.

Such a charge is to be retained for End Users in respect of service related work which is directly, bi-laterally appointed and transacted with the Customer.

The Commission welcome the above deletion and directs BGN to make note of it in the final published version of siteworks charging for 2009.