

price control

methodology



installation
charges

metering



Transco Metering Charges – NGT UK Distribution

From 1st May 2005

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methodology

Foreword

This booklet sets out the metering charges that Transco will apply for services provided under the Network Code and Transco Metering Contracts⁽¹⁾ from 1 April 2005, along with the methodology used to derive the charges, as required by Transco's Gas Transporters Licence.

The level of Transco's metering charges is regulated by a price control set by Ofgem, the gas industry regulator. To achieve price control, Ofgem has set tariff caps for four key metering services. Transco's charges for these services must not exceed the tariff caps, which are increased each year by inflation.

These metering charges will apply in respect of Transco's meters in all gas distribution networks. Following the sale of four gas distribution networks, the charges will continue to apply to Transco meters within retained networks and under the Network Metering Equipment Agreement (NMEA) to Transco meters in the networks that are sold.

The combined effect of the following changes is an overall reduction in meter rental charges:

- Business rates have been removed from rental charges consistent with the requirements of Special Condition 31 of Transco's GT Licence.
- Transco has increased its annual meter rental charges on average by inflation.

Transco has adjusted its transaction charges to reflect the costs it incurs in providing the services and consequently some charges have increased and others have decreased. The transaction charge for customer requested domestic exchanges is limited to the level of tariff cap set by Ofgem.

Transco would welcome your views on any aspect of its metering service, its charges or the contents of this statement. Please send your comments to:

Martin Cook or Francis McHale on **0121 424 8481** or e-mail to **metcom@ngtuk.com**.

The latest version of this publication is available from Transco's website at **metering.transco.uk.com**.

Notes:

- (1) Agreement and General Conditions of Contract for:
The Provision and Maintenance of Metering Equipment Contract, Transactional Meter Works not exceeding 7 bar, Above 7 bar Transactional Meter Works, Adversarial Meterworks, Rainbow System User Agreement and Network Metering Equipment Agreement (NMEA).



1. Introduction

Transco provides gas transportation, metering and daily meter reading services throughout Great Britain for the companies that supply domestic, industrial and commercial consumers.

Transco is an Ofgem Approved Meter Installer (OAMI) and provides a range of meter provision, installation and maintenance services. For further details of these services please contact Charlie Connell on **0121 424 8314** or e-mail to **metcom@ngtuk.com**.

This publication sets out Transco's charges from 1 April 2005 for its metering services provided under the Provision and Maintenance of Metering Equipment Contract, Transactional Meter Works not exceeding 7 bar Contract, Adversarial Meterworks Contract, Rainbow System User Agreement, Network Code and the Network Metering Equipment Agreement (NMEA) that will become effective from the sale of the gas distribution networks.

The latest version of this publication is available from Transco's website at **metering.transco.uk.com**.

Transco offers contracts with alternative terms and conditions for domestic meter rental. Details of these contracts, including the relevant charges, are available from Kate Elleman who can be contacted on **0121 424 8737** or via e-mail to **metcom@ngtuk.com**.



2. Charges from 1 April 2005

2.1 Introduction

This section sets out the charges for Transco's Network Code and Transco Metering Contracts⁽²⁾. This document does not override or vary any of the statutory, licence or Network Code or other contractual obligations upon Transco.

For more information on these charges, please contact the Transco Metering commercial team via e-mail to metcom@ngtuk.com.

2.1.1 Annual and Transactional Charges

Annual charges apply in respect of all metering equipment provided and maintained by Transco on a per meter basis.

Annualised installation charges also apply on a per meter basis in respect of any metering equipment installed by Transco before:

- 1 October 2000 in respect of supply points consuming up to 73,200 kWh per annum
- 1 April 2001 in respect of supply points consuming 73,200 kWh per annum and above.

Annualised installation charges do not apply in respect of metering equipment installed after these dates.

Transactional (one-off) charges are made in respect of specific meter work activities carried out by Transco, as set out in section 2.3, including the installation of metering equipment.

All charges are shown exclusive of VAT.

2.1.2 Domestic Meter Installations

Annual charges for provision, installation (where applicable) and maintenance of domestic size meters⁽⁴⁾ vary with payment mechanism; that is whether the meter is a credit or a prepayment meter. This approach reflects some of the additional costs of providing prepayment metering services compared to credit meters.

2.1.3 Larger Meter Installations

Annual charges for provision, installation and maintenance of industrial and commercial size meters⁽⁴⁾ vary with the method of flow measurement (diaphragm, rotary or turbine). Separate charges apply for provision, installation and maintenance of metering installations connected to high-pressure systems⁽⁵⁾.

Annual charges for meter provision, installation and maintenance also vary with the meter's 'badged capacity' or Q_{max} ⁽⁶⁾, since meter capacity is the main cost driver for a given meter type.

Separate charges apply for provision, installation and maintenance of daily read equipment (dataloggers) and volume converters (correctors).

2.1.4 Invoicing

Transco Metering produces and issues the invoices derived from the charges shown in this publication. If a gas supplier has an invoice query, this should normally be submitted via SAP Rainbow using the relevant Transaction Type Reason Code as detailed in the Query Submission section of the MAM Manual.

Notes:

- 2 Agreement and General Conditions of Contract for: The Provision and Maintenance of Metering Equipment Contract, Transactional Meter Works not exceeding 7 bar, Above 7 bar Transactional Meter Works, Adversarial Meterworks, Rainbow System User Agreement and Network Metering Equipment Agreement (NMEA).
- 3 Where the meter capacity is less than 11 standard cubic meters per hour (scmh).
- 4 Where the meter capacity is greater than or equal to 11scmh.
- 5 Operating at pressures greater than 7 barg.
- 6 An indication of the upper limit of a measuring device's accuracy envelope.

2.2 Annual Charges

The tables in this section show the annual charges, expressed both in £ sterling per annum for general purposes, and in pence per day for billing purposes.

2.2.1 1 Low, Medium and Intermediate Pressure Metering Installations (≤ 7 barg)

Domestic Sized Meters ⁽¹⁾

	Credit meter		Prepayment meter	
	Pence per day	£ per annum	Pence per day	£ per annum
Provision	2.0740	£7.57	2.1535	£7.86
Installation	1.3479	£4.92	1.3479	£4.92
Maintenance	0.0685	£0.25	4.6438	£16.95
Total	3.4904	£12.74	8.1452	£29.73

(1) Meter capacity less than 11 scmh

Larger Diaphragm Meters

£ per annum Capacity (scmh)	$\geq 11 < 21$	$\geq 21 < 29$	$\geq 29 < 51$	$\geq 51 < 79$	$\geq 79 < 121$	≥ 121
Provision	£27.22	£55.18	£78.59	£138.12	£216.20	£245.83
Installation	£11.62	£14.00	£23.05	£50.74	£62.69	£70.69
Maintenance	£0.90	£0.90	£0.96	£1.57	£1.81	£1.83
Total	£39.74	£70.08	£102.60	£190.43	£280.70	£318.35
Pence per day						
Provision	7.4575	15.1178	21.5315	37.8411	59.2329	67.3507
Installation	3.1836	3.8356	6.3151	13.9014	17.1753	19.3671
Maintenance	0.2466	0.2466	0.2630	0.4301	0.4959	0.5014
Total	10.8877	19.2000	28.1096	52.1726	76.9041	87.2192

Rotary Meters

£ per annum Capacity (scmh)	< 28	$\geq 28 < 57$	$\geq 57 < 113$	$\geq 113 < 170$	$\geq 170 < 226$	$\geq 226 < 396$
Provision	£119.61	£140.41	£177.84	£219.19	£269.37	£351.75
Installation	£48.23	£60.48	£110.63	£143.22	£175.38	£283.01
Maintenance	£18.12	£21.69	£25.56	£29.07	£32.69	£36.22
Total	£185.96	£222.58	£314.03	£391.48	£477.44	£670.98
Pence per day						
Provision	32.7698	38.4684	48.7233	60.0520	73.8000	96.3698
Installation	13.2137	16.5699	30.3096	39.2384	48.0493	77.5370
Maintenance	4.9644	5.9425	7.0027	7.9644	8.9562	9.9233
Total	50.9479	60.9808	86.0356	107.2548	130.8055	183.8301
£ per annum Capacity (scmh)	$\geq 396 < 509$	$\geq 509 < 792$	$\geq 792 < 1,358$	$\geq 1,358 < 1,810$	$\geq 1,810$	
Provision	£393.19	£659.99	£703.22	£1,282.81	£1,919.94	
Installation	£360.83	£398.51	£507.90	£579.52	£884.44	
Maintenance	£39.84	£47.48	£66.04	£74.29	£164.86	
Total	£793.86	£1,105.98	£1,277.16	£1,936.62	£2,969.24	
Pence per day						
Provision	107.7233	180.8192	192.6629	351.4548	526.0110	
Installation	98.8575	109.1808	139.1507	158.7726	242.3123	
Maintenance	10.9151	13.0082	18.0932	20.3534	45.1671	
Total	217.4959	303.0082	349.9068	530.5808	813.4904	

Turbine Meters

£ per annum Capacity (scmh)	<283	≥283 <509	≥509 <792	≥792 <1,216	≥1,216 <1,952
Provision	£408.59	£450.93	£648.12	£790.76	£897.47
Installation	£282.60	£334.65	£432.60	£532.61	£634.60
Maintenance	£104.70	£121.60	£193.83	£252.98	£294.38
Total	£795.89	£907.18	£1,274.55	£1,576.35	£1,826.45
Pence per day					
Provision	111.9425	123.5425	177.5672	216.6466	245.8822
Installation	77.4247	91.6849	118.5205	145.9205	173.8630
Maintenance	28.6849	33.3151	53.1041	69.3096	80.6521
Total	218.0521	248.5425	349.1918	431.8767	500.3973
£ per annum Capacity (scmh)	≥1,952 <3027	≥3,027 <4,894	≥4,894 <8,119	≥8,119	
Provision	£1,390.29	£1,604.17	£2,242.53	£3,186.90	
Installation	£970.21	£1,248.82	£1,256.01	£1,424.45	
Maintenance	£310.56	£512.86	£539.06	£620.05	
Total	£2,671.06	£3,365.85	£4,037.60	£5,231.40	
Pence per day					
Provision	380.9014	439.4986	614.3918	873.1233	
Installation	265.8110	342.1425	344.1123	390.2603	
Maintenance	85.0849	140.5096	147.6877	169.8767	
Total	731.7973	922.1507	1,106.1918	1,433.2603	

2.2.2 High Pressure Metering Installations (>7 barg)

£ per annum Capacity (scmh)	<10,192	≥10,192 <14,906	≥14,906 <25,878	≥25,878 <36,866	≥36,866 <63,524	≥63,524
Provision	£5,268.19	£5,335.94	£4,759.11	£5,157.94	£4,810.47	£3,655.81
Installation	£3,321.82	£3,618.03	£4,292.54	£4,530.18	£5,122.97	£7,063.45
Maintenance	£3,661.54	£4,259.28	£5,620.44	£6,092.63	£7,288.87	£11,212.14
Total	£12,251.55	£13,213.25	£14,672.09	£15,780.75	£17,222.31	£21,931.40
Pence per day						
Provision	1,443.3397	1,461.9014	1,303.8657	1,413.1343	1,317.9370	1,001.5917
Installation	910.0877	991.2411	1,176.0384	1,241.1452	1,403.5534	1,935.1918
Maintenance	1,003.1616	1,166.9260	1,539.8466	1,669.2137	1,996.9507	3,071.8192
Total	3,356.5890	3,620.0685	4,019.7507	4,323.4932	4,718.4411	6,008.6027

2.2.3 Volume Converters

	Pence per day	£ per annum
Provision	30.8055	£112.44
Installation	12.4192	£45.33
Maintenance	20.9781	£76.57
Total	64.2028	£234.34

2.2.4 Dataloggers

	Charges per datalogger	
	Pence per day	£ per annum
Provision	8.5260	£31.12
Installation	38.0411	£138.85
Maintenance	57.5397	£210.02
Total	104.1068	£379.99

Datalogger charges apply to all dataloggers at daily metered supply points, as defined by Transco's Network Code.

Note that this rental charge excludes the daily meter reading charge administered by Transco Metering. For clarification the daily metering reading charge is set at the tariff cap of £385.34 per annum as at 1 April 2005 and is in addition to the annual rental charge in the above table. This reading charge is calculated on a daily basis, at 105.5726 pence per day.

2.2.5 SAP Rainbow system access

On 12 July 2004 Transco allocated 1,000 "free" web accesses to Suppliers that were expected to take responsibility for meter points on the Transco system. From 12 July 2005 these suppliers will be required to pay the annual maintenance and administration charge shown in the table below. In addition there are a limited number of new accesses available to Suppliers and the initial access charges are also shown in the table below.

	Initial access charge (£)	Annual maintenance and administration charge (£)
Read / write access	£309.53	£61.91
Read only access	£154.77	£36.11

2.3 Transactional Charges

Any work downstream of the outlet of the meter is excluded unless specifically mentioned.

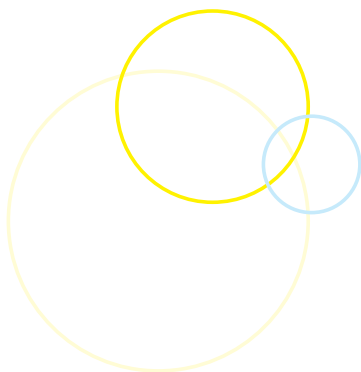
In all cases, service pipe installation, alteration and disconnection will be subject to additional charges.

2.3.1 Domestic size meters

The following charges relate to domestic-size meter installations, i.e. where the meter capacity is less than 11 standard cubic metres per hour (scmh).

Installation of Domestic Meters

Title	Description	Charge
Install Domestic Credit Meter	Includes time and materials (pressure controlling equipment, flexible connector, etc) required to install a domestic credit meter. Excludes the cost of the meter itself.	£59.31
Install Domestic Prepayment Meter	Includes time and materials (pressure controlling equipment, flexible connector, etc) required to install a prepayment meter. Excludes the cost of the meter itself. Includes commissioning of the meter module in current (TGB) format and the use of a blank gas card where no Supplier gas card is on site.	£63.93



Customer requested domestic meter exchange

Title	Description	Charge
Customer requested exchange	Includes time and materials required to exchange a credit meter to prepayment or a prepayment meter to credit. Excludes the cost of the meter itself. Includes up to 1 metre of additional inlet pipework and up to 2 metres of additional outlet pipework where an ETM cannot be installed in the place of an existing credit meter. Includes testing (excludes any trace and repair work), purging and re-lighting.	£52.14

Ofgem domestic meter accuracy test

Title	Description	Charge
Ofgem accuracy test	Includes transportation of the meter and time and materials required to exchange a meter. Includes secure transportation box. Excludes the cost of the meter itself and of the meter accuracy test. Includes testing (excludes any trace and repair work), purging and re-lighting.	£53.73

Exchange damaged meter

Title	Description	Charge
Exchange damaged meter	Includes time and materials required to exchange a damaged meter. Excludes the cost of the meter itself. Includes testing (excludes any trace and repair work), purging and re-lighting.	£49.71

Meter position alteration

Title	Description	Charge
Alter position of meter only (no service pipe modification) ¹	Includes up to 1 metre of additional inlet pipework and up to 2 metres of additional outlet pipework. Includes testing (excludes any trace and repair work), purging and re-lighting.	£84.44

¹ Additional outlet pipe work, in excess of 2m, will be charged at current labour and materials rates in addition to the above charges.

Meter removal, clamping and collars

Title	Description	Charge
Remove Meter	Remove domestic-size meter.	£43.60
Fit or remove Clamp (Lock) ²	Fit or remove clamp to/from domestic-size meter.	£49.51
Fit Security Collar to meter	Fit Transco-supplied security collar.	£28.04

² Transco supplied clamps and locks can only be fitted and removed by authorised Transco operatives.

Transco Craft Person hire

Title	Description	Charge
TCP Hire – Half Day ³	Half day Transco Craft Person hire.	£181.61
TCP Hire – Full Day ³	Full day Transco Craft Person hire.	£351.89
Hourly rate (normal hours) ³	Transco Craft Person hourly rate.	£45.41 per hour
Hourly rate (out of hours) ³	Transco Craft Person hourly rate.	£51.13 per hour

³ All work shall be carried out in accordance with “General Conditions of Contract for Adversarial Meter Works”. These charge rates also apply in respect of purging meters and downstream installations.

2.3.2 Large size meters

The following charges relate to installation, removal or testing of larger diaphragm meters. These charges apply only in respect of standard low pressure installations, where no enhancements (e.g. bypasses) are required.

Large Diaphragm Meter Installation Charge

Capacity	≥11 to <21	≥21 to <29	≥29 to <51	≥51 to <79	≥79 to <121	≥121
Meter only	£126.72	£152.11	£251.46	£545.58	£675.72	£760.65
Meter and housing	£348.50	£505.90	£616.56	£1,354.68	£1,513.32	£1,598.25

These charges are also applicable in the case of meter exchanges where a smaller meter is exchanged for a larger meter. In these cases the applicable rate will be that corresponding to the new meter.

The housing charges do not include the costs for explosion relief roofs or for the construction of bases to support the housing. Quotations should be requested if these options are required.

Large Diaphragm Meter Removal Charges

Capacity	≥11 to <21	≥21 to <29	≥29 to <51	≥51 to <79	≥79 to <121	≥121
Meter removal	£131.79	£131.79	£196.92	£196.92	£267.19	£270.38
Adversarial meter removal*	£131.79	£131.79	£196.92	£196.92	£267.19	£270.38

*Further charges will apply for any additional time (such as waiting time or purging) or materials in connection with adversarial meter removals.

Large Diaphragm Meter Accuracy Tests

Capacity	≥11 to <21	≥21 to <29	≥29 to <51	≥51 to <79	≥79 to <121	≥121
Ofgem accuracy test*	£87.49	£91.95	£187.81	£187.81	£268.52	£268.52

*Includes, transportation of the meter and time and materials required to exchange a meter. Includes secure transportation box. Excludes the cost of the meter itself and of the meter accuracy test. Includes testing (excludes any trace and repair work), purging and re-lighting.

All other charges for work on industrial and commercial size meter installations, dataloggers and volume converters will be quoted on an individual basis.



2.4. Transfer of in-situ ancillary equipment

Where a Transco meter is removed and replaced by a meter belonging to another operator the supplier may elect for the transfer of title to the relevant Supplier of the Transco in-situ ancillary equipment in accordance with contract. Conditions apply regarding the components that may be retained in-situ. For clarification this charge excludes the meter.

Standard low pressure domestic-sized meters

Standard charge for installation kit (excludes meter)*	£3.51
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* No charge applies for title transfer where the meter installation is exempted from the 'install' component of annual rental charges, i.e. where the installation was made after 1 October 2000.

Standard low-pressure large diaphragm meters - transfer of ancillary equipment

Standard low-pressure diaphragm meter installations are subject to published charges; all other Industrial and Commercial (I&C) Installations are subject to quotation. Charges exclude the meters.

Capacity	≥11 to <21	≥21 to <29	≥29 to <51	≥51 to <79	≥79 to <121	≥121
Charge *	£109.70	£133.95	£240.97	£463.58	£544.55	£632.18

* No charge applies for title transfer where the meter installation is exempted from the 'install' component of annual rental charges, i.e. where the installation was made after 1 April 2001.

Quotation Charges for title transfer of Ancillary Equipment at I&C installations.

Transco will provide quotations, on an individual basis, for the title transfer to the relevant supplier of in-situ ancillary equipment for all medium and high-pressure meters as well as for low-pressure rotary and turbine meters. The charges for making such quotations are:

Service	Charge per quotation
Quotations based on details of equipment as provided by customer.	£38.52
Quotations based on a Transco site survey.*	£96.01

* Site survey carried out on request for installations < 7barg.

In the case of Ancillary Equipment with an inlet pressure of 7 barg and above, the cost of the quotation will be on the basis of Transco's cost of preparing such quotation. Transco will endeavour to provide a best estimate of such costs in advance.

3. Metering Charging Methodology

In addition to publishing its charges, Transco's Gas Transporters Licence requires it to publish an explanation of the methods by which and the principles on which its charges are calculated.

Transco's metering charges are set so that they are in line with the price control set by Ofgem, the gas and electricity market regulator. To achieve price control for metering services, Ofgem has set tariff caps for four key services. Transco's charges for these services must not exceed the tariff caps, which are increased each year by inflation calculated in accordance with the methodology set out in the Transco GT licence.

In addition the annual rental tariff caps for domestic credit meters and prepayment meters are reduced from 1 April 2005 to reflect the removal of Business Rates as described in the Foreword to this publication. The overall effect of the Business Rates reduction and the inflation increase is a reduction to both these tariff caps from 1 April 2005.

Service	Tariff Cap
Provide, install and maintain domestic credit meter	£12.74 p.a.
Provide, install and maintain prepayment meter	£29.73 p.a.
Domestic credit to prepayment meter exchange	£52.14

Note: DM daily meter reading is the fourth service with a tariff cap of £385.34 from 1 April 2005.

Charges for domestic meter types

For the 2005/6 formula year, domestic credit and prepayment meter rental charges have been set so that they are equal to the tariff caps.

Charges for non-domestic meter types

Other, non-tariff capped, charges are regulated through a non-discrimination condition in Transco's Gas Transporters Licence. Transco has reviewed its meter rental charges for larger meters and this has led to Transco increasing its overall annual meter rental charges by the inflation rate of about 3.2%. In addition, there has been some rebalancing of charges for larger meters to better reflect their associated costs. In this set of charges the largest increases for bundled rental charges have been restricted to twice the inflation rate.

The non-tariff capped rental charges have also been adjusted to reflect the transfer of business rates resulting in an overall reduction in all meter rental charges.

Annual charges for Industrial and Commercial meter provision, installation and maintenance vary with meter type and capacity. Charges for each meter type are calculated by scaling forward-looking costs in proportion to meter numbers. The remainder of this section explains the rationale for such a charging structure and for Transco's choice of capacity bands.

Non-domestic meter types

There are presently three main types of Industrial and Commercial meters – diaphragm, rotary and turbine. Other meter types, such as orifice plate meters, are used for specialist applications.



Installations connected to high-pressure systems operating above 7 barg are considerably more complex. They typically include a flow computer and may comprise additional equipment, such as multi-stage pressure reduction, slam shut discrimination and pre-heaters.

Different meter types have different costs, particularly with respect to purchase price and maintenance costs. For example, rotary meters tend to have higher purchase prices than the equivalent turbine meter. Diaphragm meters do not need regular maintenance, unlike rotary and turbine meters, which need to be serviced according to manufacturer's specifications.

Meter capacity

Meter capacity is the main cost driver for a particular meter type. Larger meters have higher purchase prices and typically take longer to install. Larger, higher capacity metering installations also have larger, more costly regulators, valves and connecting pipe work. They may include additional equipment, such as pressure protection systems and filters.

Capacity bands

The charges reflect the forward-looking costs of providing, installing and maintaining a representative range of meter models of each type. For example, I&C diaphragm meter charges reflect the average costs of models in the U series range.

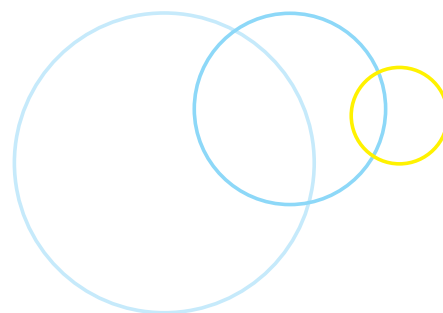
Model	U16	U25	U40	U65	U100	U160
Total Annual Charge	£39.74	£70.08	£102.60	£190.43	£280.70	£318.35

In order to move from a structure reflecting the costs of individual meter models to one that may be applied to all models of a given type, the charges are expressed in terms of capacity bands. The upper and lower limits of each band were chosen so that the mid-point of the band corresponds to the capacity of the model on which the charge for that band is based.

Model	U16	U25	U40	U65	U100	U160
Capacity (scmh)	16	25	40	65	100	160
Capacity band	11 to 21	21 to 29	29 to 51	51 to 79	79 to 121	≥ 121

To assist customers, Transco's meter rental charges are shown broken down to three component parts, provision, installation and maintenance. The remainder of this section describes in more detail the methodology used to calculate metering rental charges, which consists of the following steps:

- Determine the forward looking cost components of installing and maintaining meters, dataloggers and volume converters
- Determine a meter provision component and where appropriate scale this component to produce the annual charges.
- Calculate transactional charges for meter work



3.1 Cost Components

This section explains how Transco has determined the forward-looking annual costs of providing, installing and maintaining meters, dataloggers and volume converters. The provision component is subsequently scaled as described in Section 3.2.

Domestic credit meter costs are based on U6 diaphragm meters, or equivalent, and prepayment meter costs are based on Electronic Token Meters.

The examples set out below illustrate the calculation of domestic credit meter costs. Equivalent calculations determine the costs associated with prepayment meters and with industrial and commercial meters, dataloggers and volume converters. This methodology derives the components of the total charge on a cost reflective basis. However, the total charge and some or all of the components must be scaled up to levels that are consistent with Transco's price control formula.

3.1.1 Annual Provision costs

Provision charges reflect depreciation costs, an allowance for a return on the value of the meter asset and the costs associated with replacing meters at the end of their useful life, on an average annualised basis.

In setting the tariff caps, Ofgem assumed that Transco's meters are depreciated over twenty years, with the exception of Electronic Token Meters, which are depreciated over ten years.

$$\text{Annual cost} = \frac{\text{meter asset cost} + \text{Service Provider cost}}{\left(\frac{1 - \frac{1}{(1+ir)^t}}{ir} \right) \times \frac{1}{ir} \times \sqrt{(1+ir)}}$$

$$= \text{£}5.88$$

where ir = interest rate (7%), and

t = asset life (20 years)

In setting these charges Transco has included within the Service Provider costs an uplift reflecting other work related costs.

3.1.2 Annual Installation costs

Installation charges reflect service provider costs and material costs associated with elements of the metering installation other than the meter itself (and any other dataloggers and volume converters, where fitted).

$$\text{Annual cost} = \frac{\text{materials cost} + \text{Service Provider costs}}{\left(\frac{1 - \frac{1}{(1+ir)^t}}{ir} \right) \times \frac{1}{ir} \times \sqrt{(1+ir)}}$$

$$= \text{£}4.92$$

where ir = interest rate (7%), and

t = asset life (20 years)

3.1.3 Annual Maintenance costs

Maintenance charges reflect planned and unplanned maintenance costs and the revenue costs associated with exchanging faulty meters. Costs reflect service provider and material costs, plus an uplift reflecting other work related costs, multiplied by the expected job frequency per meter per year.

No planned maintenance is carried out on U6 meters, on which the calculation of domestic credit meter costs is based. Maintenance charges for some other meter types, such as prepayment, rotary and turbine meters, reflect planned maintenance costs as appropriate.

Unplanned maintenance

$$\text{Annual cost per visit} = \frac{\text{Materials cost} + \text{Service Provider costs}}{\text{Asset life}}$$

$$\text{Annual cost per annum} = \text{Annual cost per visit} \times \text{visits per meter per annum}$$

$$= \text{£}0.10$$

Fault related meter exchanges

$$\text{Annual cost per visit} = \frac{\text{Service Provider costs}}{\text{Asset life}}$$

$$\text{Annual cost per annum} = \text{Annual cost per visit} \times \text{visits per meter per annum}$$

$$= \text{£}0.15$$

Total Maintenance Cost

The total annual maintenance cost for domestic credit meters is therefore:

	£ per annum
Unplanned Maintenance	£0.10
Fault-related Meter Exchanges	£0.15
Total Maintenance Cost	£0.25

3.2 Scaling of charges

Annual charges reflect the costs described in section 3.1. This section describes how these cost components are scaled to produce the annual rental charges.

3.2.1 Domestic Credit and Prepayment Meter charges

Domestic Credit and Prepayment Meter Tariff Caps

Service	Tariff Cap
Provide, install and maintain domestic credit meter	£12.74 p.a.
Provide, install and maintain prepayment meter	£29.73 p.a.

For the 2005/6 formula year, domestic credit and prepayment meter rental charges have been set so that they are equal to the tariff caps.

The install and maintain components of the charges are those described in sections 3.1.2. and 3.1.3. above (that is £4.92 and £0.25 respectively in the case of domestic credit meters). For these meter types the provide component is calculated by subtracting the install and maintain elements from the tariff capped charge.

3.2.2 Non-domestic meter charges

For the 2005/6 formula year non-domestic metering rental charges reduce as a result of the Business Rate removal and increase, on average by inflation of about 3.2%, in line with the changes in the charges for domestic meters. These two movements result in an overall reduction in the average non-domestic meter rental charges.

Volume converter and datalogger rental charges are not affected by the Business Rates reduction and thus they increase by inflation alone.

The components of the total charge are calculated in a similar way to those for domestic meter types.

A constraint has been applied to the scaling of costs for larger meter types so that no rental charges are increased by more than the twice the inflation rate.

3.2.3 Calculate Provision, Installation and Maintenance Charges

The proportions of the annual charge that are attributable to the provision, installation and maintenance of each meter type are calculated by using the annual forward looking costs for the install and maintain elements and then scaling the provide element so that the total of the three elements equates to the total charge for the meter type.

For example, for domestic meters, the calculations are as follows.

Domestic Credit Meters

	Annual forward - looking cost	Annual Charge
Provide	£5.88	£7.57
Install	£4.92	£4.92
Maintain	£0.25	£0.25
Total	£11.05	£12.74

Prepayment Meters

	Annual forward - looking cost	Annual Charge
Provide	£23.81	£7.86
Install	£8.00	£4.92
Maintain	£16.95	£16.95
Total	£48.76	£29.73

3.3 Transactional Charges

This section describes the methodology used to determine transactional (one-off) charges for installation of domestic credit metering equipment. Charges reflect Service Provider and materials costs, an uplift for other work related costs and an allowance for profit.

$$\text{Charge} = (\text{Materials cost} + (\text{Service Provider costs} \times (1 + \text{uplift}))) \times (1 + \text{profit}\%)$$

Install domestic credit metering equipment = £59.31 per meter installation.

Equivalent calculations determine transactional charges for installing other metering equipment and for other categories of meter work. Charges for work on larger Industrial and Commercial metering equipment, dataloggers and volume converters are quoted on an individual basis.

The charge exchanging domestic meters (from credit to prepayment or vice versa) is tariff capped and consequently the charge for this work has been scaled down to £52.14

3.4 DM Daily Meter Reading

Charges reflect average costs of providing a DM daily reading administration service (including query management), an uplift reflecting support and sustaining costs, and the costs of line rental and telephone calls between dataloggers and the central collection system.

The DM meter reading charge has been set at the tariff cap of £385.34 from 1 April 2005.

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