



Transco, Shippers and other parties

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value for all customers*

Your Ref:  
Our Ref: net/code/mod 0662  
Direct Dial: 020 7901 7346  
Email: roger.morgan@ofgem.gov.uk

20 August 2004

Dear Colleague,

**Network Code Modification 0662 'Read Replacement functionality for the last read received by the GT from the incumbent shipper'**

Ofgem has considered carefully the issues raised by modification 0662.

Having regard to the principle objective and statutory duties of the Authority, Ofgem has decided to direct Transco to implement modification proposal 0662 because we consider that the proposal will better facilitate Transco's Gas Transporter (GT) Licence code relevant objective to facilitate the efficient and economic operation of its pipe-line system.

This letter sets out the background events leading to the submission of this modification proposal and the reasons for Ofgem's decision.

**Background**

Transco's network code and its Suppression Guidelines sets out the circumstances under which Transco suppresses NDM reconciliation charges. Suppressions that occur as a result of inaccurate meter reads provided by shippers are known as User Suppressed Reconciliations (USRVs). The network code Suppression Guidelines establish timescales and standards of performance on shippers to resolve USRVs.

**Modification Proposal**

To aid the resolution of USRVs BP Gas Marketing raised modification proposal 0662 which seeks to put in place a read replacement functionality to resolve the last read received by Transco. The aim of the proposal is to allow shippers to replace the last read with another read if it has created a USRV. This would result in the release of the USRV and in BP's opinion enable shippers to resolve USRVs in a timely manner.

## **Transco's Opinion**

Transco recognises that a read replacement facility could permit the quicker resolution of recent suppressions. However, Transco raises concerns about whether the functionality would be utilised by shippers. Transco suggests that the implementation of a read replacement mechanism may be of limited use to shippers and that many filter failures could be resolved without this. Transco notes that the mechanism would only assist in the resolution of the latest 'filter failure' for any given meter point and would not significantly assist in the resolution of 'aged' items and the present backlog of USRVs.

Transco acknowledges that a read replacement mechanism is consistent to achieve timely resolution of USRVs by shippers.

## **Views of Shippers**

Transco received five representations to its consultation. Three respondents support the implementation of 0662 and two oppose. Shippers views are set out and discussed below.

### Shipper use of the facility

Two respondents question whether UK-Link development costs should be incurred for a facility with a potentially low take up. One respondent suggests that 40% of its USRVs could be resolved if this functionality was put in place. One shipper suggests that it would use the facility but would require advance notice of the IT changes so that it can modify its systems.

In its final modification report Transco suggests that its technical solution to facilitate mod 0662 will involve the use of existing read submission files with the inclusion of a new flag to indicate a read replacement has taken place. Transco suggests that shippers who do not intend to use this facility do not need to make changes to their systems.

There are mixed views from shippers about take up of the read replacement functionality. However, shippers recognise that implementation of modification proposal 0662 may facilitate the resolution of some USRVs and in a timely manner. Given that concerns have been raised about shippers' incentives to resolve USRVs in a timely manner it seems appropriate to seek to improve the resolution of USRVs.

### Resolution of USRVs

Two respondents suggest that allowing incorrect reads to be removed from the GT's systems benefits all network code signatories and should improve the accuracy of data held on NGT's systems. Two respondents suggest that the modification proposal would improve the USRV process.

Ofgem is concerned about the current levels of outstanding USRVs and supports measures that provide shippers with more flexibility to resolve USRVs. Modification 0662 does not provide a solution to resolve all USRVs and is unlikely to significantly reduce the outstanding backlog of USRVs. However, its implementation allows shippers to resolve some USRVs in a timely manner, allows shippers to replace the last read submitted by them to Transco and provides a better audit trail on Transco's systems of USRV activity.

## **Ofgem's Views**

Whilst, the majority of shippers who responded to Transco's consultation support modification 0662 Ofgem notes that mixed views have been expressed about whether shippers will make use of a read replacement facility.

In its final modification report Transco suggests that shippers who do not wish to utilise the service would not need to develop the appropriate system functionality. Ofgem suggests that it is for shippers to make a decision on whether they wish to use a read replacement facility. However, this modification may be of benefit to those shippers who wish to use this facility and are willing to undertake the necessary system changes to support its use.

Given the high numbers of outstanding USRVs it seems appropriate to approve this network code modification as it provides a mechanism to resolve USRVs in a timely manner which represents an improvement to the current process.

#### **Ofgem's decision**

For the reasons set out above Ofgem has decided to direct Transco to implement modification proposal 662, as it will better facilitate the relevant objectives of its Network Code, as set out in Standard Condition 9 of its Gas Transporters Licence, in particular the efficient and economic operation of its pipeline system.

If you wish to discuss any aspect of this decision please do not hesitate to contact [roger.morgan@ofgem.gov.uk](mailto:roger.morgan@ofgem.gov.uk) or via telephone on 020 7901 7346.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Iain Osborne', with a stylized, cursive script.

Iain Osborne

**Director of Consumer Markets**