

**Modification Report**  
**Read Replacement functionality for the last read received by the GT from the Incumbent Shipper**  
**Modification Reference Number 0662**  
Version 1.0

This Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

## **1. The Modification Proposal**

To offer a meter read replacement functionality within UK Link Sites & Meters.

The replacement functionality would be limited to the last read received by the Gas Transporter for the incumbent Shipper.

## **2. Transco's Opinion**

It is Transco's opinion that this Modification Proposal should be implemented.

The Network Code Principal Document Section E and the associated Suppression Guidelines details conditions whereby Transco is required to suppress a Non-Daily Metered (NDM) reconciliation charge. Where suppression occurs, frequently as a consequence of poor quality meter readings supplied by Users, this is termed a User Suppressed Reconciliation Value (USRV). This is commonly known as a reconciliation charge 'filter failure'. The Suppression Guidelines establish timescales whereby Users are required to resolve USRVs.

To improve the USRV regime, Transco raised Modification Proposal 0637 *'Introduction of a financial incentive performance regime for the resolution of User Suppressed Reconciliation Values (USRVs)'* which seeks to apply incentives on Users to prompt timely resolution. The Proposal is awaiting direction from Ofgem.

BP Gas Marketing subsequent to this proposal raised a further Modification Proposal 0644 *'Read Replacement functionality for USRVs'*. This sought to facilitate earlier USRV resolution by Users by introducing a meter reading replacement mechanism. For certain types of USRVs Users currently have to wait until a subsequent reading has loaded to Transco's Sites & Meters database prior to securing resolution of the USRV. BP's proposal claimed that the current procedure did not allow the User to resolve USRVs as quickly as having the ability to replace the "problem" meter read on Transco's Sites & Meters database.

Following discussion within the Supply Point and Billing Workstream, BP took the decision to withdraw Modification Proposal 0644 and replace this with a new Proposal, 0662 *'Read Replacement functionality for the last read received by the GT from the Incumbent Shipper'*. This is similar to its predecessor with the exception of removing the requirement for the read being replaced to have resulted in suppression of a charge.

There is general acknowledgment that the principle of a 'proactive' read replacement mechanism could be advantageous and would permit quicker resolution of recent suppressions. Transco's principal concern, however, is whether such functionality would be utilised by Users. Transco's analysis has indicated that the implementation of replacement read functionality may be of limited use to Users with respect to USRV resolution and in fact many 'filter failures' could be readily addressed without this. This view has, however, been challenged by the proposer which states that in a number of situations, Users could more efficiently resolve such failures by replacing the read causing the USRV. It is also claimed that the incumbent User's ability to be able to replace an erroneous read held by the Gas Transporter would avoid problems caused by such reads being held in abeyance within Transco's UK-Link system.

It should be noted that the mechanism would only assist in the resolution of the latest 'filter failure' for any given Supply Meter Point and would not therefore give any significant direct assistance in the resolution of 'old' items or in the reduction of the present backlog of USRVs.

While Transco maintains its concerns that there is a risk of 'low take up' by Users of a read replacement mechanism, Transco's priority is to achieve prompt USRV resolution by Users and the adoption of read replacement functionality is consistent with this aim. Another benefit is that there would be a better audit trail on Transco's Sites & Meters database. As part of the consultation process for this Modification Proposal, Transco also believed it would assist Ofgem in making its direction if respondents provided an indication as to whether they were likely to utilise the facility or otherwise.

### **3. Extent to which the proposed modification would better facilitate the relevant objectives**

Implementation of this Modification Proposal provides a mechanism by which Users are able to replace Meter Readings previously submitted to Transco. The measure provides flexibility for Users in resolving promptly User Suppressed Reconciliation Values (USRVs) and furthers Transco's GT Licence 'code relevant objective' to facilitate the efficient and economic operation of its pipe-line system.

### **4. The implications for Transco of implementing the Modification Proposal , including** **a) implications for the operation of the System:**

No such implications have been identified.

### **b) development and capital cost and operating cost implications:**

Costs would be incurred with respect to implementing this Modification Proposal.

### **c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:**

Transco does not propose any additional cost recovery.

### **d) analysis of the consequences (if any) this proposal would have on price regulation:**

No such consequences have been identified.

**5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal**

Implementation of this Modification Proposal would not increase the level of Transco's contractual risk.

**6. The development implications and other implications for computer systems of Transco and related computer systems of Users**

Changes to Transco's UK-Link system would be required. Transco is not aware of the extent of changes to Users systems if they wished to utilise the facility.

**7. The implications of implementing the Modification Proposal for Users**

Users wishing to take advantage of a read replacement facility would need to develop appropriate systems functionality. Presently, Transco does not envisage any changes to the systems of Users which do not wish to utilise the service.

**8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party**

No such implications have been identified.

**9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal**

No such consequences have been identified.

**10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

Advantages

- Provides a mechanism by which Users are able to replace the last read submitted by them to Transco.
- Facilitates prompt and timely resolution of suppressed NDM Reconciliation Invoice Values by Users.
- Provides an improved audit trail.

Disadvantages.

- There is a risk of under utilisation of the facility by Users which would mean that the monies invested in development of 'read replacement' functionality would not be justified.

**11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)**

Five representations were received with respect to this Modification Proposal. Three respondents were supportive of its implementation and two were opposed.

Two respondents, BGT and Total Gas & Power Ltd (TGP) challenge whether UK-Link development costs should be incurred for a facility with a potentially low take up. TGP states that it *"cannot see justification in UK link development costs incurred to undertake what is effectively a redundant system build"*. BGT comments that it *"shares Transco's opinion that user take up could be low and would question the wisdom of investing in system development for a little used service"*. The proposer BP Gas Marketing however notes that *"Whilst it is difficult to clarify the level of utilisation of the functionality it is fair to say that greater flexibility in the NWC to allow incorrect reads to be removed from the GT's records is beneficial to all signatories and such arrangements will lead to a greater degree of robustness in data held in the GT system"*. Scottish & Southern Energy (SSE) expresses a view that *"We also agree with Transco that enhancing the quality of the data held by Transco will be of benefit to Transco's Sites & Meters database"*. SSE also comments that it *"would use the functionality but needs advance notice to enable us to modify our own systems"*. Npower advises that *"as per Transco's request to indicate whether we would utilise this facility. We believe that as things stand approximately 40% of USRVs received could be resolved using this facility"*. Transco notes the mixed views from respondents regarding the extent of likely take up of the new functionality. While Transco maintains its support for implementation, Transco is able empathise with the views of the respondents which express doubt with regard to the level of utilisation. Transco's view is that the benefits of the facility, given limited use in comparison with the investment required to develop new UK-Link functionality, remain unclear. Based on the views of respondents to this Modification Proposal, Transco still believes that implementation would further its GT Licence 'code relevant objectives' although only to a limited and marginal extent.

One respondent, BGT notes that *"concerns have been expressed about the costs of system development required in order to provide this facility. We had understood that Transco had advised that a 'low or no-cost' option was potentially available to shippers that did not wish to make use of the functionality, should the proposal be implemented. However the Draft Modification Report states that 'the impact on Users not wishing to utilise the service is currently unclear'. It would be useful to Users if this point were clarified"*. Transco's response is the nature of the systems changes required to support implementation of Modification Proposal 0662 was briefly discussed at the February 2004 meeting of the Supply Point & Billing Workstream. It was identified by one User that those Users not wishing to use 'read replacement' functionality should not need to make changes to their systems. As part of its current intentions, following an assessment of the development work required to implement, Transco believes this to be true given that it is proposed that existing read submission files would be used, with the inclusion of a new valid reason code combination. This would be expected to feature validation by Transco of a replacement read 'flag' against a cyclic reading.

TGP comments that although it does *"not support the modification's implementation, should it be implemented, we feel that there is a requirement for clarification on certain issues, namely which meter read Transco will take, and under what precedence. For example, will the replacement originate from the supplier, the end-user or from a physical read? The Modification does not specify which"*. Transco's response is that it would accept any meter reading provided by the User in accordance with the 'replacement rules' identified within this Modification Proposal provided relevant validation has taken place in accordance with the Network Code Validation Rules. Naturally, Transco would also

expect that any billable volume derived from such a read would pass its NDM reconciliation charge 'filter'. It is not a matter for Transco to determine or advise on the source of the read although being a Valid Meter Reading for the purposes of Network Code, a replacement read should be a reading of the index of the meter by a meter reader or the end consumer.

Npower comments *"we would like to take this opportunity though to raise our concern that this process is open to possible abuse. For any particular USRV, a User may find it advantageous to continually replace the latest read, thereby suppressing the levels of outstanding USRV's, whilst not necessarily resolving the underlying problem. In turn suppressing the levels of incentives that may be applied with the possible implementation of Modification 0637 'Introduction of a financial incentive performance regime for the resolution of User Suppressed Reconciliation Values (USRVs). We hope that a mechanism will be put in place to monitor this, such as attaching a specific flag to a replacement read, so that it may be possible to prevent this from occurring"*. Transco's response is that submission of a replacement read will not automatically result in the release of a USRV: the revised reconciliation position must first pass the NDM Reconciliation charge filter before it is released. Thus repeated replacements would increase the number of items in the User's queue, until the final position was within tolerance. If the failure had been caused by an underlying problem, such as an asset error, replacement reads would be subject to the same asset data in deriving a volume, and would therefore cause further USRVs. Transco does not envisage that this functionality could be abused to reduce USRVs as the User does not receive any indication of what read value would pass the filter, and it is almost impossible to work backwards to the ideal read, because of the complexities of the reconciliation process. It is Transco's view that there is no direct link between the Modification Proposals 0662 and 0637 even though as part of the consultation a number of Users have expressed a desire for read replacement functionality, whether or not incentives are introduced. This is on the basis that it would improve resolution rates for USRVs and therefore reduce uncertainty for Reconciliation by Difference (RbD).

NPower further comments *"whilst, we support this proposal it is possible that improvements to the meter read submission timetable that appear to be coming from discussions on Mod proposal 683 may make this process redundant. Since Ofgem has not pronounced yet on Mod 637 perhaps it might make sense to wait until we have clarity on the submission timetable"*. Transco's response is that its proposed amendment to the maximum frequency with which it will accept meter reads (intended to complement Modification 0683) would not operate in the same manner as the Modification Proposal 0662. If reads were received, say, weekly, each reading would create a new reconciliation and would not address an earlier USRV. Without read replacement, the User would need to use Transco's ConQuest system to request consumption adjustments which "bridged" across the erroneous read, whereas replacement of the read could automatically release the original failure (subject to it now passing the charge filter). It is not envisaged that automated meter reading would ever extend to all meters on Larger Supply Points, so it is unlikely that all meter points would be read as often as proposed in Transco's amendment. In Transco's opinion there would therefore always be a use for the functionality proposed by implementation of this Modification Proposal.

## **12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation**

Implementation of this Modification Proposal is not required to enable Transco to facilitate compliance with safety or other legislation.

**13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence**

This Modification Proposal is not required to facilitate any such change.

**14. Programme of works required as a consequence of implementing the Modification Proposal**

Transco would be required to implement new functionality to its UK-Link system to enable read replacement.

**15. Proposed implementation timetable (including timetable for any necessary information systems changes)**

This Modification Proposal could be implemented with effect from the end of the fourth quarter of 2004.

**16. Recommendation concerning the implementation of the Modification Proposal**

Transco believes that this Modification Proposal should be implemented.

**17. Restrictive Trade Practices Act**

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

**18. Transco's Proposal**

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

## **19. Text**

### **Draft Legal Text**

#### **MOD 662**

#### **Section M**

Revise Heading to read:

#### **"3.7 More frequent readings and revised readings"**

Add new paragraph 3.7.3 to read:

"3.7.3 In respect of the most recent Valid Meter Reading provided to Transco in accordance with paragraph 3.4 or 3.5 a User may at any time secure and provide to Transco a revised value of such Valid Meter Reading ("Revised Meter Reading").

Add new paragraph 3.7.4 to read:

" 3.7.4 Transco will only accept such Revised Meter Reading where the Meter Read Date of such Revised Meter Reading is the same as or later than the Meter Read Date of the most recent Valid Meter Reading recorded by Transco."

Signed for and on behalf of Transco.

Signature:

**Peter Rayson**  
**Commercial Manager - Customer**

**Support Services**

Date:

**Gas and Electricity Markets Authority Response:**

In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0662**, version **1.0** dated **21/05/2004**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **1.0**.

Signature:

**Process Manager - Network Code**

**Transco**

Date:

## **Annex**

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
  - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or
  - (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriate

provided that if the Authority does not so approve the Agreement then Clause 3 shall apply.
2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.