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Transco, Shippers and other parties.

Dear Colleague,

**Network Code Modification Proposal 0648: Transitional Provisions for the Meter Asset Service Standard.**

Having considered the issues raised by this modification proposal, Ofgem has decided to direct Transco to implement the proposal as we believe that it better facilitates the relevant objectives of Transco's Gas Transporters Licence. In this letter we provide some background to the modification proposal and explain the reasons for making our decision.

**Background to the Proposal**

Modification Proposal 0565 was implemented on 1 October 2003. During the development of modification proposal 565 it was recognised that certain elements of the proposal depended on the timely implementation of Metering Separation.

During the development of proposal 0565, the workgroup acknowledged that there was likely to be a gap between the implementation of the proposal and the 'go live' date for Metering Separation. Initially it was thought that this gap would not be significant and so the community were comfortable with having no incentives on Meter Asset Standards for a short period. However, since the implementation of Metering Separation is now not likely to be until spring 2004, it was felt that these standards should be reintroduced via the Network Code Transitional Document to bridge any gap.

**The Modification Proposal**

This modification proposal seeks to place certain elements of modification proposal 565 into the Network Code Transitional Document.

The proposal is made up of three elements:

1. The removal of the Relevant Aggregate Requirement as this is no longer part of the Standards of Service regime as introduced by modification proposal 565.
2. The Compensation Group Name is to be changed from D to L. This is because the new Group D under modification 565 relates to DM Suppressed Reconciliations.
3. All Network Code references to Meter Asset standards are to be removed.

The proposal aims to bridge the gap between the implementation of modification proposal 0565 (which removes certain metering standards of service from the Network Code) and the implementation of Metering Separation (which will include standards of service for metering issued within new metering contracts). This is a clear cut modification proposal which serves an obvious purpose and offers Shippers some degree of comfort that Transco will be incentivised to maintain their levels of service and performance for metering activities during the interim period.

### **Respondents' views**

Six companies chose to respond to this modification proposal. Of those six there was broad support expressed for the implementation of this modification proposal.

One Shipper was concerned that Transco could have raised this modification proposal in a more timely manner as so avoid the short period of time between the 1 October implementation of modification proposal 0565 and the implementation of 0648, where Transco would not be subject to any standards of service for Meter Asset standards.

### **Ofgem's view**

It is Ofgem's view that this modification proposal is appropriate in order to maintain relevant incentives during the movement towards Metering Separation. Without moving these incentives into the Transition Document there will be a significant period when Transco will not be liable for incentive payments to Shippers for standards of service relating to Meter Asset issues.

This modification proposal will ensure that this gap is bridged effectively by maintaining liability payments and performance levels.

### **Ofgem's decision**

Having taken all of the above into consideration it is Ofgem's decision to direct Transco to implement modification proposal 0648 as we believe that it will better facilitate the relevant objectives of their Gas Transporters Licence.

**Yours sincerely**



**Samantha McEwen**  
**Manager, Gas Network Codes**

