

Modification Report
Reduction in notice period for change to Siteworks terms and procedures
Modification Reference Number 0537

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

In accordance with G7.2.4(ii), Transco is obliged to provide three months notice of changes to contract terms contained within Siteworks Terms and Procedures. Given that the Miscellaneous Meter Works Contract falls within these provisions, transitional Modification of the Network Code is required to reduce the notice period to approximately one week.

2. Transco's Opinion

The Gas (Standards of Performance) Regulations 2001 were established in November 2001 following lengthy Ofgem consultation. This legislation will now become effective on 1 April 2002.

Transco wishes to reflect the standards incumbent on suppliers, contained within the new legislation, in its 'Agreement and General Conditions of Contract for Miscellaneous Meter Works not exceeding 73,200 kWh' and in the 'General Conditions of Contract for Discontinuances'.

Transco is presently consulting with Shippers on the proposed revisions to the above agreements and it is anticipated that this process will be completed by 25 March 2002 following which Transco will give notice as required by the Network Code. As the legislation as described above will be effective from 1 April 2002, there is now insufficient time to allow three months notice and it is Transco's opinion that the Network Code should be modified to permit introduction of these changes on a much shorter notice period.

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

Transco intends to reflect standards incumbent on suppliers, contained within 'The Gas (Standards of Performance) Regulations 2001, in its 'Agreement and General Conditions of Contract for Miscellaneous Meter Works not exceeding 73,200 kWh' and in the 'General Conditions of Contract for Discontinuances', in line with the timescales for implementation of such standards. This necessitates a reduction in the notice period under the Network Code. Such a reduction in the notice period would better facilitate a consistent Licencing regime when compared to the need to give the full three months notice.

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:

No such cost implications have been identified.

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:

Not applicable.

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

No contractual risks under the Network Code have been identified.

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

No such implications have been identified.

7. The implications of implementing the Modification Proposal for Users

This Modification Proposal identifies a reduced notice period for the introduction of amendments to the 'Agreement and General Conditions of Contract for Miscellaneous Meter Works not exceeding 73,200 kWh' and for amendments to the 'General Conditions of Contract for Discontinuances'. This would enable the standards incumbent on suppliers (as a result of new Regulations) to be reflected in the Agreements mentioned above.

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

This Modification Proposal identifies a reduced notice period for the introduction of amendments to the 'Agreement and General Conditions of Contract for Miscellaneous Meter Works not exceeding 73,200 kWh' and for amendments to 'General Conditions of Contract for Discontinuances'. This would enable the standards incumbent on suppliers (as a result of new Regulations) to be reflected in the Agreements mentioned above.

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:

Timely notice of revision to Transco's Miscellaneous Meter Works Agreement by the 1 April 2002 would ensure that its Siteworks terms and procedures reflect industry legislation due to be implemented on that date.

Disadvantages:

None identified.

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

Four representations were received with respect to this Modification Proposal all of which are supportive of its objectives.

Innogy expresses disappointment with regard to the necessity of raising this Modification Proposal due to other consultations and negotiations not being concluded in a timely manner. Transco's response is that the reason for the need to allow a shorter timescale for changes in the relevant agreements than provided for in the Network Code is that the scope of the requirements in relation to the implementation of Guaranteed and Overall Standards (G&OS) on suppliers only became clear early in 2002. Following this, discussions in the Metering Contract Group with regard to the most appropriate method of contractualising these requirements concluded in early February. Therefore a modification to the three month notice period for changes to Siteworks contracts provided for in Network Code is required to allow shippers to benefit from the compensation payments from 1 April 2002, the date of introduction of the G&OS on Suppliers.

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

Not applicable.

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

Implementation of this Modification Proposal is not required to facilitate any such change.

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

No works are required to implement this Modification Proposal.

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

This Modification Proposal can be implemented with immediate effect.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal 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

Transitional Document, Part II, Paragraph 8

Add new paragraph 8.4.19 :

" 8.4.19 G7.2.4 In respect of changes to the "Agreement and General Conditions of Contract for Miscellaneous Meter Works not exceeding 73,200 kWh" and the "General Conditions of Contract for Discontinuances", for the purpose of the implementation of revisions associated with the introduction of the Gas (Standards of Performance) Regulations 2001, the requirement in Section G 7.2.4(ii) that not less than 3 months notice be given by Transco shall not apply and Transco shall instead give such notice as far in advance of the date on which the changes contained therein are to be implemented as is reasonably practicable."

Signed for and on behalf of Transco.

Signature:

Steve R Phillips
Director of Shipper 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 **0537**, version **1.0** dated **19/03/2002**) 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.