

Modification Report
Changes to provisions relating to obtaining Meter Readings in respect of Annual
Read Supply Meters installed at Smaller Supply Meter Points
Modification Reference Number 0471
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

Modification of the Network Code is required to reduce the existing requirement for a User to read 100% of relevant Annual Read Meters within its portfolio every twenty four months to 95%, and to remove the current Network Code obligation for Transco to obtain Meter Readings for Annual Read Supply Meters installed at Smaller Supply Meter Points.

Transco and Users' existing Meter Reading obligations with respect to annually read Supply Meters installed at Larger Supply Meter Points would be unaffected by implementation of this Modification Proposal.

2. Transco's Opinion

Currently the Network Code (Section M3.5) requires Transco to use 'reasonable endeavours' to procure Meter Readings in respect of any Annual Read Meter where a User has not met its obligations to obtain a Valid Meter Reading every twenty four months. Where, in these circumstances, Transco obtains a Meter Reading the User will be charged. This requirement is commonly termed a 'must read' and was originally incorporated within the Network Code to support the Non-Daily Metered (NDM) reconciliation processes and Annual Quantity (AQ) derivation. With the introduction of Reconciliation by Difference (RbD), Smaller Supply Meter Points are not individually reconciled and readings are only used by Transco only for AQ derivation.

The Network Code (Section M3.5.1) establishes that each User shall secure a Valid Meter Reading for 100% of relevant Annual Read Meters not less frequently than once every twenty four months. Transco believes that this requirement is unduly stringent with respect to Supply Meters installed at Smaller Supply Meter Points and is of the opinion that a revised value of 95% in every twenty four months would be sufficient to meet Users' requirements - which is coincident with actual performance levels. Transco therefore considers the existing 'must read' requirement for Smaller Supply Meter Points to be redundant.

Transco currently provides in disc format quarterly notification to Users that a 'must read' is due. In support of this Modification Proposal, Transco intends to increase the frequency of this notification to monthly. Transco further plans to modify the reporting mechanism to provide Users with advance notification of

any Supply Meters approaching 'must read' status by advising of unread Supply Meters at twenty months (instead of twenty four months). A series of reports detailing User read performance will also be provided on a monthly basis to Ofgem.

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

The purpose of this Modification Proposal is to reduce the 100% requirement for Users to read Annual Read Meters at Smaller Supply Meter Points every twenty four months. Transco considers that the current requirement is unnecessarily stringent and should be reduced to 95%, which could reduce industry costs associated with the procurement of meter readings without adversely affecting AQs.

A further purpose of this Modification Proposal is to remove an outdated and inappropriate obligation on Transco to obtain Meter Readings for annually read Supply Meters installed at Smaller Supply Meter Points. Transco's view is that, since the introduction of RbD, this activity is redundant.

By reducing costs to the industry, this proposal seeks to further the economic operation of the pipeline system.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

None identified.

b) development and capital cost and operating cost implications:

Transco has not identified any capital or operating cost implications.

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 such impacts have been identified.

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

Whilst there would be minor changes to Transco's report generation programs, Transco is not aware of any impacts on Users' systems.

7. The implications of implementing the Modification Proposal for Users

No such implications have been identified.

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 Users with more flexibility in meeting their Network Code 'cyclic read' obligations.

Unnecessary User costs in managing the 'must read' process and reimbursing the PGT are removed.

Unnecessary PGT costs associated with procuring 'must read' meter readings are avoided.

Disadvantages:

Transco is not aware of any disadvantages.

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

Three representations have been received with respect to this Modification Proposal all of which are supportive of its objectives.

Scottish and Southern Energy comment that timely and regular meter readings are a key element in the success of the AQ Review and express the view that it is not entirely clear as to how Transco will enforce/monitor this for Smaller Supply Points. Scottish and Southern Energy queries what mechanisms will be put in place to ensure that standards are met.

Transco's response is that it believes ample mechanisms will be established to ensure that the proposed Meter Read requirements for Smaller Supply Points are met as described within this Modification Report. Transco currently provides in disk format quarterly notification to Users that a 'must read' is due, the frequency of which it intends to increase to monthly. Transco also plans to modify the reporting mechanism to provide Users with advance notification of unread Supply Meters at twenty months (instead of twenty four months). A series of reports detailing User read performance will also be provided on a monthly basis to Ofgem.

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 3(5) or the statement furnished by Transco under Standard Condition 3(1) of the Licence

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

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

No works would be required to implement this Modification Proposal.

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

This Modification Proposal could be implemented with immediate effect following direction.

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

19. Text

Paragraph 3

Paragraph 3.5.1(i) delete and replace with:

"(i) not less frequently than once every 24 months for not less than 95% on Relevant Annual Read Meters where the Annual Quantity of the Supply Point in which the relevant Supply Meter Point is comprised does not exceed 72,300kWh (2,500 *therms*), subject to paragraph 3.5.4"

Paragraph 3.5.1 Add new paragraph 3.5.1(iii) to read:

"(iii) not less frequently than once every 24 months for all Relevant Annual Read Meters where the Annual Quantity of the Supply Point in which the relevant Supply Meter Point is comprised exceeds 72,300kWh (2,500 *therms*), subject to paragraph 3.5.4;"

Paragraph 3.5.4 delete:

"paragraph 3.5.1(i) " and replace with "paragraph 3.5.1(i) and (iii)".

Paragraph 3.6.1 delete and substitute:

"3.6.1 Subject to paragraph 3.6.4 and 3.6.5, where at the end of any calendar month a User has failed to comply with the requirement in paragraph 3.4.1(i) in respect of a Monthly Read Meter or the requirement in paragraph 3.5.1(iii) in respect of an Annual Read Meter :...."

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0471**, version **1.0** dated **17/09/2001**) 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.