

Modification Report
"Amendment to the Must Read requirements for Supply Points re-classified as
Monthly Read"
Modification Reference Number 0463
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 revise the “must read requirement” specifically for meters where the Read Frequency has been revised from “non-Monthly Read” to “Monthly Read” and therefore allow shippers a reasonable time to submit a first meter reading under the new read frequency, and avoid incurring the unnecessary cost of a “must read charge” from Transco.

2. Transco’s Opinion

Transco believes this Modification Proposal is unnecessary and may not be helpful to Users in general. The Network Code (M3.1.7(b)) establishes the conditions where the Meter Reading Frequency of a Non-Daily Read Supply Meter should be Monthly Read. Section (M3.4.1(i)) specifies that a User should provide a Meter Reading to Transco not less frequently than once every four calendar months and that 90% of a Users monthly portfolio should be read each month. If this does not occur Transco has an obligation (M3.6) to procure a Valid Meter Reading. This is informally known as the 'must read' requirement. It is current practice that in the circumstances where the Meter Reading frequency has changed (by User election (M3.1.7(b)(ii))) from Annual to Monthly Read, the 'must read' requirement is initiated within the first month if the Meter has not been read within the preceding four months.

This Modification Proposal suggests that the 'must read' requirement for Monthly Read Meters should be calculated from the point at which the Supply Meter changed read frequency and therefore the User should have four months from the point of such change in which to procure a Valid Meter Reading (regardless of when the meter was last read).

Transco believes that the present arrangements provide Users with adequate notice of Transco's intention to obtain a 'must read' and they are therefore able to procure their own cyclic reads, which would avoid Transco taking action. In practice a list of relevant Meter Point Reference ('M') numbers is given to Users twenty business days in advance of the prospective 'must read' date. It may then take a further two to three days for Transco's chosen Meter Reading Agency (MRA) to procure a read. Transco believes that this allows Users in excess of a month in which to obtain a Valid Meter Reading for a Supply Meter which may not have been read in the previous twenty three months.

The proposer argues that Users should be provided with reasonable time to obtain Valid Meter Readings following a change of Meter Reading Frequency (MRF). It further states that a change of read frequency may occur at any time throughout the year by User election or as an outcome of the Annual Quantity (AQ) review. The proposer notes, however, that AQ revisions are concentrated around the annual review process which takes effect on 1 October of each year.

Transco's view is that while AQ revisions are effective from 1 October of each year, the process is not concentrated exclusively around this date. The AQ review process extends over a period of four and a half months, in which time a User can seek to amend or appeal AQs. Users are only required to change MRF as a result of the AQ review where the metered consumption for a Supply Meter Point moves above the Monthly Read threshold. Transco believes therefore that a User should be aware in advance of the AQ annual review effective date, (1st October) that a Supply Meter Point has crossed the Monthly Read threshold and could change the MRF accordingly.

For the purposes of clarity the proposal suggests that Users need time to react to an MRF change which occurs because of an AQ review. Transco would emphasise that Users are notified in June of an AQ change that will occur in October. However, a simple change of AQ does not initiate a MRF change; this is made solely by User election. Users therefore have four and a half months notice of an AQ change before making an election to change the MRF.

Transco believes that it is in the interests of Users to obtain a Valid Meter Reading for a Supply Meter at the earliest opportunity, consistent with Network Code obligations. It is not clear to Transco how this Proposal which would allow Users to wait for four months prior to procuring a Valid Meter Reading would benefit Users as a whole.

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

The Proposer has not made clear how this Modification Proposal would better facilitate the 'relevant objectives' if implemented.

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

a) implications for the operation of the System:

Transco does not believe that there would be any such implications.

b) development and capital cost and operating cost implications:

Minor administrative costs would be incurred by Transco.

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's costs would be treated as normal operating costs.

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

Transco does not believe that there would be any such consequences.

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

Transco does not believe that there would be any such consequences.

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

Transco would not need to undertake any extensive development of its systems. However, this may not be the case for Users as in its representation, Powergen suggests that "there could be an issue with Logica being able to support the proposed changes".

7. The implications of implementing the Modification Proposal for Users

It is likely that amendments to Users internal processes and procedures would be required.

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

Transco is not aware of any such implications.

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

Transco is not aware of any such consequences.

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

Advantages:

- Upon change of a read frequency to Monthly Read, Users would have a longer period in which to procure a Valid Meter Reading.

Disadvantages:

- Would allow up to three additional months in which a newly designated Monthly Read Supply Meter remains unreconciled to the possible detriment of the RbD community.

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, four in support of implementation and one opposed.

In its representation, BGT claims that the Proposal revises the 'must read' requirement to instigate the 'must read' process in the 24th month after the last read or 4th month from the effective read frequency change, whichever is the sooner. The Modification Proposal as written simply proposes that the 'must read' clock be reset 'commensurate with the change of read frequency'. Transco believes that by making this statement in its representation BGT is effectively acknowledging that under certain circumstances it would be appropriate for Transco to obtain a Meter Read where a User fails to do so within the first month of a MRF change.

TXU states that requiring Users to obtain a Meter Read for sites which change their MRF to monthly within twenty days of such change is inconsistent with the normal lead times for 'must reads'.

Transco's response is that it operates a twenty business day pre-notification for all Monthly 'must reads'. In practice it may then take a further two or three days to request a read effectively allowing the User in excess of a month in which to provide a Valid Meter Reading. This is in addition to the lead time prior to the User effecting a change in MRF via the Supply Point Amendment process (which the User controls). The User will also be aware, prior to a change via the Supply Point Amendment route, whether the meter had been read within the last four months.

Innogy proposes that the 'must read' requirement be initiated if a User fails to procure a cyclic read on the next occasion that such a reading should be taken.

Transco's response is that Users have in excess of a month in which to provide a Valid Meter Reading (as described above), and where the User provides a cyclic read on the next occasion that such a reading should be taken this will terminate the 'must read' process.

BGT notes Transco's comment that Users are aware of these re-classified sites from the initial issue of revised AQs in June and argues that it is precisely this category of Supply Points where many will be subject of the 'AQ amendment' or 'AQ appeal' process and the confirmed AQ will not be known until September, or after 1 October in the case of an appeal.

Transco reiterates that it is the User who initiates an 'AQ amendment' or 'AQ appeal' which provides the new AQ value. It is therefore in control of the process and fully aware of the new AQ value. Regardless of when the revised AQ becomes effective, the incumbent User still has additionally to elect an MRF change (and will also be aware of the Meter Read history for the Supply Meter Points associated with the 'AQ amendment' or 'AQ appeal').

The same respondent comments that unless Users procure all reads for this category of Supply Point, Transco will obtain the reading. BGT states that this conflicts with the present '90% in each month' requirement in the Network Code.

Transco's response is that the Network Code requirement is for a minimum of 90% of the User's total Monthly Read Meter portfolio to be read in each month. Users for whom "threshold crossers" represent a fraction of their portfolio will still be able to plan and manage which Supply Meters they obtain reads for in each month.

BGT claims that a further benefit of implementing this Modification Proposal is that Transco is not required to obtain unnecessary Meter Readings and can concentrate its efforts on obtaining 'must reads' for those Supply Meter Points where there is a genuine failure to obtain Meter Readings. BGT states that this would benefit the RbD process and the community as a whole by ensuring that unreconciled meters are dealt with as a priority.

Transco's response is that it believes it to be in the interests of the community to ensure that relevant Larger Supply Meters are read on a monthly basis, in particular where any MRF reclassifications involve a Supply Meter for which a significant period of time may have passed without a read being taken.

One respondent, Powergen comments that the proposal actually lessens the controls around RbD and should be rejected as the industry should be working towards a tightening of the RbD rules, not a relaxation.

Transco concurs with this view.

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 facilitate any such compliance.

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

Transco would not require any programme of works to implement this Modification Proposal.

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

In view of Transco's recommendation, no implementation timetable is proposed.

16. Recommendation concerning the implementation of the Modification Proposal

In its Draft Modification Report Transco stated that it did not believe this Proposal would benefit Users in general. Whilst acknowledging that the majority of respondents are in support of this Proposal it is Transco's view that no convincing arguments have been advanced in favour of implementation.

Transco therefore remains of the view that this Proposal would not further the 'relevant objectives' or be of benefit to the community as a whole and recommends its rejection.

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

Transco does not support implementation of this Modification Proposal but legal text could be provided if required.

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

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 **0463**, version **1.0** dated **20/07/2001**) 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 appropriateprovided 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.