

Modification Report
Meter Reading Unbundling - Non Daily Read Meters
Modification Reference Number 0470
Version 2.0

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 remove references to Transco in its PGT role as being a 'Meter Reader' and to incorporate the following additional recommendations of the SPA/Metering sub-group:

- To amend the provisions contained within M3.1.6 so that validated Customer Reads can be used as Valid Meter Readings in all cases, and,
- To remove the current monthly portfolio constraint on Meter Reads for Annual Read Meters submitted to Transco.

2. Transco's Opinion

This Modification Proposal has been raised by Transco to ensure that the Network Code reflects a fully competitive environment for non daily metered (NDM) Meter Reading. Transco's opinion is that in addition to these changes it is also appropriate to take the opportunity to introduce further minor enhancements to the existing Network Code provisions which would be of industry benefit and have been agreed in Workstream sub-group discussion.

The topic was first discussed in the SPA/Metering Workstream on 23 March 2000 following which a dedicated sub-group was established. The sub-group met on five occasions and concluded with the production of a sub-group report. At the November 2000 SPA/Metering Workstream meeting Transco gave a presentation detailing the recommendations of the sub-group.

Discussions within the NDM Meter Reading Unbundling sub-group focused on relevant provisions of Principal Document Section M pertinent to NDM meter reading. A primary objective identified by the sub-group was that any future Network Code modification should take account of the legitimate requirements of Transco in its PGT role being provided with information in the most appropriate and timely way, without precluding other developments which would be of industry benefit.

The sub-group established that Section M in general would need to be modified to remove references to Transco as a meter reader given that Transco (PGT's) role in obtaining Meter Reads is greatly diminished by unbundling. The sub-group further considered each relevant provision of Section M to identify where enhancement may be of industry benefit. The sub-group made the following recommendations which are incorporated within this Modification Proposal:

That references to Transco as a 'meter reader' be removed from the Network Code.

Five paragraphs containing such references are proposed for removal.

That validated Customer Reads may be used as Valid Meter Reads in all cases.

The current Network Code provisions state that a Customer Read will only be accepted as a Valid Meter Read if a Meter Read (procured by a meter reader) has been obtained, for a Monthly Read Meter in the preceeding three, and in the case of an Annual Read Meter, in the preceeding twenty-three calendar months.

Sub-group members determined that given that the procurement of meter reads was a mature activity, the industry would benefit from changing this provision to permit Customer Reads to be used as Valid Reads in all cases. It was established that this could help shippers meet their cyclic Meter Reading obligations and lessen the likelihood of a 'must read' situation arising.

To remove the current Network Code provision which constrains the number of meter reads as a proportion of its total portfolio that a shipper may submit to Transco each month.

Sub-group members determined that as the vast majority of Annual Read Meters (i.e. <73,200 kWh) are subject to Reconciliation by Difference (RbD) it was appropriate that the above constraint be removed given that the original purpose of this provision was to avoid 'wide swings' in individual meter point reconciliation.

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

Transco believes that this Modification Proposal ensures that the Network Code would be compliant with the unbundled NDM Meter Reading regime and is therefore consistent with its PGT Licence 'relevant objective' of securing effective competition between relevant shippers and between relevant suppliers.

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 cost implications. Development costs will be incurred through the removal of direct system interfaces between Transco (Meter Reading) and Transco (PGT).

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:

The costs of implementing this proposal would be treated as ordinary business costs.

d) analysis of the consequences (if any) this proposal would have on price regulation:
None 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 consequences have been identified.

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

Transco and User's computer systems would require enhancement. Transco is required to disengage the interface between its UK-Link and meter reading systems. Users which are presently 'bundled' are likely to need to undertake systems development through the adoption of existing file formats and the development of mechanisms for communicating meter reads to Transco (PGT).

7. The implications of implementing the Modification Proposal for Users

Implementation of this Modification Proposal would be likely to result in a reduction of costs and risk for Users in the following areas.

A reduction in meter reading costs by permitting Customer Reads to be used as Valid Meter Reads in all cases. This potentially gives Users more flexibility in managing the procurement of meter reads.

The removal of the current monthly portfolio constraint on meter reads submitted to Transco would provide Users with more flexibility in planning the procurement of such reads.

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

Reflects the unbundling of NDM meter reading activities.

Introduces efficiencies and flexibility by permitting Customer Reads to be used as Valid Meter Reads in all cases.

Introduces flexibility by removing the current monthly portfolio constraint for the submission of meter reads to Transco.

Disadvantages

No disadvantages have been identified.

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 all of which were supportive of its objectives with no queries or concerns being raised.

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

The introduction of competition in NDM Meter Reading requires the removal of system interfaces between Transco (Meter Reading) and Transco (PGT). This will ensure that all NDM Meter Readings are communicated to Transco by Users in accordance with the Network Code.

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

Systems development work is due to be completed by 1 August 2001 following which it is recommended that this Modification Proposal be implemented.

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

Section E

Paragraph 8

Paragraph 8.1.1 Delete ", or where Transco otherwise secured meter readings.":

Section M

Paragraph 2.3

Paragraph 2.3(ii) delete "(other than Transco where it is engaged as Meter Reader)"

Paragraph 3

Paragraph 3.1.4(d) delete:

"(except where Transco is appointed as Meter Reader)"

Paragraph 3.1.6 Amend to read:

"A Customer Read obtained in any calendar month will (subject to the requirements of paragraph 3.1.4) be a Valid Meter Reading."

Paragraph 3.2.2 – delete:

"Where Transco is not to be the Meter Reader" so text reads:

"In respect of a Supply Meter Point before the Proposed Supply Point Registration Date."

Paragraph 3.3.1 delete:

"(but where Transco is appointed as Meter Reader this requirement shall be deemed to be satisfied in respect of any Meter Reading obtained by Transco as Meter Reader)"

Paragraph 3.5.3 delete text and replace with "Not used."

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 **0470**, version **2.0** 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 **2.0**.

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.