

Modification Report
Addition of User Suppressed Reconciliation Value (USRV) to the Network Code
Modification Reference Number 0469

Version 3.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

The two areas of proposed amendment to the Suppressed Reconciliation Value process are;

- (i) Introduction of a new term into the Network Code, "**User Suppressed Reconciliation Value**"(USRV).
- (ii) Clear distinction between Transco and User responsibility with respect to investigating Suppressed Reconciliation Values.

2. Transco's Opinion

This Modification Proposal was raised by Transco to provide contractual symmetry between the investigation of suppressed DM and NDM Reconciliation Invoice Values.

A consequence of NDM meter reading separation, is that the contractual responsibility to investigate Suppressed NDM Reconciliation Values shifts from Transco to Users.

Transco believes that Users receiving Reconciliation by Difference RbD) charges, should receive consistent contractual protection relating to the timely investigation of DM and NDM Suppressed Reconciliation Values.

The proposed introduction of the User Suppressed Reconciliation Value term, (together with the recently revised 'Network Code Reconciliation Suppression Guidelines') suitably provides for the required amendments to Section E8 of the Network Code.

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

Transco believes that this Modification Proposal provides increased certainty for Users (which are charged through RbD) and, as such, is 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:

No such implications have been identified.

b) development and capital cost and operating cost implications:

No such 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:

No additional cost recovery is planned.

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

Transco's contractual risk is unaltered by this Modification Report.

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

Transco's computer systems would require limited enhancement. Users may opt to amend their computer systems to take account of the contractual amendments identified by the Modification Proposal.

7. The implications of implementing the Modification Proposal for Users

Users would be contractually obliged to investigate any suppressed NDM Reconciliation Values in a timely fashion.

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 implications have been identified.

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

Advantages

Provides contractual certainty for all Users in terms of investigating suppressed NDM Reconciliation Values.

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)

Three representations were received from Users (Powergen, BP Gas and British Gas Trading).

All Users broadly supported the proposal. One User (BGT) commented, "The inclusion of User Suppressed Reconciliation Values (USRV) obligations within the Network Code formalises a responsibility which is currently only implied. Resolution of items in suppression is key to the correct allocation of energy not only of the shipper directly concerned with the suppressed item, but also to RbD shippers who will cumulatively experience an equal but opposite effect. With implementation of this modification, will come a role of monitoring and escalation of non compliance where necessary".

BGT added, "In particular, we support the clear obligation to apply the Network Code suppression guidelines. These have been extensively revised recently and it ensures consistency across all shippers to include adherence to the established guidelines".

Powergen stated "...Users will have increased responsibility for these investigations, but this process has been in place since October 2000 and it is already working well".

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

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

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

Not applicable.

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

Implementation is proposed for 1st August 2001.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of the Modification Proposal.

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

Section E: Paragraph 8

8.1 General

8.1.1 In relation to Larger Supply Points with effect from the Reconciliation by Difference Date:-

- (a) Transco shall investigate Reconciliation Values that have been Suppressed following Individual NDM Reconciliation and DM Reconciliation where such Individual NDM and DM Reconciliation was undertaken pursuant to a Meter Reading obtained by Transco pursuant to Section M3.6 and M4.2 ("**Suppressed Reconciliation Values**"); and
- (b) the User shall investigate Reconciliation Values that have been Suppressed following Individual NDM Reconciliation and DM Reconciliation where such Individual NDM Reconciliation and DM Reconciliation was undertaken other than pursuant to a Meter Reading obtained by Transco pursuant to Section M3.6 and M4.2 ("**User Suppressed Reconciliation Values**").

8.1.2 Those Reconciliation Values in respect of which this paragraph 8 will apply (Reconciliation Values that have been "**Suppressed**", being Suppressed Reconciliation Values and User Suppressed Reconciliation Values) shall be identified in the "**Network Code Reconciliation Suppression Guidelines**", the document so entitled prepared and revised from time to time by Transco (in consultation with Users).

8.1.3 For the purposes of this paragraph 8:

- (a) "**Investigate**" means an investigation:-
 - (i) by Transco of the accuracy of a Suppressed Reconciliation Value; or
 - (ii) by the User of the accuracy of a User Suppressed Reconciliation Value
- (b) "**relevant Reconciliation Billing Period**" is the Reconciliation Billing Period in respect of which a Reconciliation Invoice would have contained an Invoice Item derived from a Suppressed Reconciliation Value had not paragraph 8.1.4 applied;
- (c) for each LDZ for each Reconciliation Billing Period the "**User LDZ Suppressed Reconciliation Proportion**" shall be the User's

User Aggregate Reconciliation Proportion for Monthly Individual
Reconciliation calculated in accordance with paragraph 7.2.2

- 8.1.4 Where as a result of carrying out Individual NDM Reconciliation or DM Reconciliation a Reconciliation Value is Suppressed, neither the Suppressed Reconciliation Value nor the User Suppressed Reconciliation Value will be used for the purposes of calculating the relevant Invoice Items in a Reconciliation for the relevant Reconciliation Billing Period (Reconciliation Billing Period 'p').

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 **0469**, version **3.0** dated **07/11/2001**) 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 **3.0**.

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.