

Draft Modification Report
Modification Reference Number 0239
Creation of New Daily Metered Supply Points

This draft Modification Report is made pursuant to Rule 7.4 (a) of the Modification Rules and follows the format required under Rule 8.12.4.

1. The Modification Proposal:

In order to establish a new daily metered (DM) Supply Point, it is currently necessary to create a non-daily metered (NDM) firm Supply Point. This will attribute NDM demand to the proposing shipper based on the NDM algorithm. Once the datalogger is operational it is necessary to renominate and reconfirm the Supply Point as DM. In some cases it may also be necessary to change the Supply Type of the Supply Point since the system will only accept new NDM meters as firm.

The implications of this are that the confirming Shipper is reliant on the NDM algorithm for demand attribution rather than daily gas nominations in respect of a greenfield Supply Point, prior to the installation of the appropriate daily read equipment and renomination and confirmation of the Supply Point as DM.

The principle obstacle to nominating a new Supply Point as DM is that on occasions it is not possible for Transco to arrange to install and deem a datalogger in time for the first gas flow day. This is frequently due to difficulties associated with installing land lines, for example obtaining wayleave, which are outside of Transco's control.

Following discussion of the issue within the SPA/Metering Workstream, Transco have developed procedures to facilitate the nomination and confirmation a new supply point as daily metered (DM).

These are based on Transco installing a cellular datalogger where a delay to the installation of a standard datalogger is anticipated. The procedures ensure in normal circumstances that a method of obtaining daily reads will be available from the first gas flow day.

It is possible in exceptional circumstances that a valid daily read may not be available to Transco's S&M database, for example where it has not been possible to install a cellular datalogger.

If this occurs it is proposed that Transco utilise a 7 day consumption profile for estimating purposes. This will be developed from 7 days actual meter readings which will be obtained by Transco as follows:

Transco will obtain a visual read on the Supply Point Registration Date and on each of the 6 consecutive days after to produce a gas consumption for each day of the week. Until the daily read equipment is in place, Transco will use the gas consumption profile to deem the gas consumption based on the consumption profile for the corresponding day of the week. Further check readings will be obtained by Transco on a monthly basis. Any differences

between the estimated readings and the actual consumption will be reconciled. Shippers may also provide actual reads to Transco at any time if they so wish.

Datalogger charges will not be levied for the period between SPRD and datalogger installation.

2. Transco's opinion:

Transco believe that the gas nomination type in respect of a new greenfield site should, wherever possible, be appropriate to that defined by the Network Code.

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

This modification potentially reduces Shippers exposure to reconciled gas costs caused by generalised NDM algorithms. This enables Shippers to reduce costs and better facilitates Transco's requirement to operate an economic and efficient system.

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

a) implications for the operation of the System and any BG Storage Facility:

None identified

b) development and capital cost and operating cost implications:

Transco will incur costs associated with the purchase of cellular daily read equipment. Limited costs associated with the introduction of a revised district procedure will also be incurred.

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 to Transco will be treated as ordinary business costs, being dealt with via the Formula.

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:

This Modification reduces the level of contractual risk impacting on Transco by ensuring that nomination offers are appropriate to the required gas nomination type.

6. **The development implications and other implications for computer systems of Transco and related computer systems of Relevant Shippers:**

None identified.

7. **The implications of implementing the Modification Proposal for Relevant Shippers:**

It is expected that Shippers will need to undertake small internal procedural changes to meet the revised process.

8. **The implications of implementing the Modification Proposal for terminal operators, suppliers, producers and, any Non-Network Code Party:**

None identified.

9. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each Relevant Shipper and Non-Network Code Party of implementing the Modification Proposal:**

None identified.

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

Advantages

The modification enables shippers to nominate new daily metered meter points as DM to be effective from the supply point registration date. This means that shippers will no longer need to be reliant on the NDM algorithm for demand attribution and will be able to make daily gas nominations in respect of a greenfield Supply Point from the first gas flow day.

Elimination of the current situation where the meter point is subject to NDM demand attribution prior to installation and deeming of the datalogger and renomination as DM. This exposes shippers to a risk of high reconciliations if the supply point AQ is substantially different to the actual gas offtaken.

Offers of transportation charges will be appropriate to the gas nomination type requested.

Disadvantages

In the unlikely event that Transco are unable to make available daily read equipment in time for the first gas flow day, it will be necessary for Transco to obtain seven meter reads. These will be used for estimating purposes until the daily read equipment is in place. There is a small risk that the estimated consumption will not be representative of ongoing offtake requirements as the new site may be undergoing

start up procedures. Transco will however undertake monthly check reads in order to reconcile consumption.

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

Not applicable.

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) of the statement; furnished by Transco under Standard Condition 3(1) of the Licence:**

Not applicable.

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

Transco and Shippers will need to adopt revised internal procedures.

15. **Proposed implementation timetable (inc timetable for any necessary information systems changes):**

This Modification should be implemented with effect from 1 September 1998

16. **Recommendation concerning the implementation of the Modification Proposal:**

Transco recommend that the revised Network Code text is implemented in accordance with the timescales identified in section 15.

17. Text provided pursuant to Rule 7.3:

Principal Document Section G

Paragraph 1.5.1

Amend to read:-

"1.5.1 Subject to paragraphs 1.5.5, 1.5.6 (c) and 1.5.12 (c) a Supply Meter Point shall be classified as a DM Supply Meter Point ~~where:~~

(a) in accordance with paragraph 1.5.13.;or

(b) where the Supply Meter Point is Daily Read in accordance with M1.3.1,
and

(c) either

(i) the Daily Read Requirement applies; or

(ii) an election..... such Supply Meter Point"

Paragraph 1.5.10

Add the text

"unless the User has submitted such Supply Point Nomination in accordance with paragraph 7.3.5 and the Supply Meter Point has been classified as a DM Supply Meter Point in accordance with paragraph 1.5.13."

New Paragraph 1.5.13

to read:

"1.5.13 Without prejudice to the other provisions of paragraph 1.5, (including in particular paragraph 1.5.4) a Supply Meter Point shall be classified as a DM Supply Meter Point even though it is not Daily Read where:

- (a) such Supply Meter Point is a New Supply Meter Point which is the subject of a Supply Point Nomination under paragraph 7.3.5;
- (b) the User has complied with paragraphs 7.3.5 and the New Supply Meter Point has been registered in accordance with paragraph 2.11;
- (c) there is a Daily Read Requirement in accordance with paragraph 1.5.2 in respect of the Supply Meter at the Supply Meter Point but for any reason (other than due to an act or omission of the User) Daily Read Equipment is not installed at the DM Supply Meter Point, or if installed is not operational in accordance with Section M, paragraph 4.1.7"

New Paragraph 7.3.13

"7.3.13 A New Supply Meter Point may be comprised in a DM Supply Point Component of a Proposed Supply Point which is subject to a Nomination under paragraph 7.3.5, where

- (a) the Supply Meter at the Supply Meter Point is Daily Read; or
- (b) the Supply Meter Point has been classified as a DM Supply Meter Point in accordance with paragraph 1.5.13."

Section M

Paragraph 1.4.4

Amend paragraph 1.4.4(a)(ii) to read:

"(ii) in the case of a Daily Read Supply Meter or a New Supply Meter at a DM Supply Meter Point in respect of which a gas consumption profile has been determined in accordance with Section M paragraph 4.2.4 the relevant Day or other period in accordance with paragraph 4;"

Paragraph 4.1.6

After the words "becomes a DM Supply Meter Point" Insert the following text "(except where classified as a DM Supply Meter Point in accordance with Section G paragraph 1.5.13)"

New Paragraph 4.1.8

"4.1.8 Subject to paragraph 1.5.4, where a Supply Meter Point has been classified as a DM Supply Meter Point in accordance with Section G, paragraph 1.5.13, then Transco will ,as soon as reasonably practicable, install and make operational such Daily Read Equipment at the relevant Supply Meter, subject to and in accordance with Section M2, and will inform the Registered User when such Daily Read Equipment has been installed and made operational"

New Paragraph 4.2.4

New paragraph 4.2.4 to read:

"4.2.4 In respect of a DM Supply Meter Point (classified in accordance with Section G, paragraph 1.5.13) Transco will obtain a Meter Read on the Day that such DM Supply Meter Point is registered as a DM Supply Meter Point and on each of the six consecutive Days thereafter, so as to produce the gas consumption amount for each Day of the week ("**gas consumption profile**"). Until such DM Supply Meter Point becomes a Daily Read Supply Meter and subject to paragraph 4.7, Transco will use the gas consumption profile to deem gas consumption based on the gas consumption profile for the corresponding day of the week. At any time after the gas consumption profile has been produced, the User may on any Day obtain a Meter Read and, if requested by the User, Transco will produce a gas consumption amount for the Day of the week on which such Meter Read was obtained and accordingly amend the gas consumption profile for such Day.

Amend paragraph 4.3.1(i) to read:

"(i) the Metered Volume, by reference to the Valid Meter Readings for the Day obtained in accordance with paragraph 4.2.1(i) or by reference to the Meter Readings for the Day obtained in accordance with paragraph 4.2.4."

Paragraph 4.7.1

Amend to read :

"4.7.1 Transco will

(a) at intervals of approximately 12 months..... arrange an On-Site Meter Read (~~a "DM Check Read"~~) in respect of each Daily Read Supply Meter;

(b) in respect of any Supply Meter at the DM Supply Meter Point (classified in accordance with Section G paragraph 1.5.13) until such DM Supply Meter Point becomes a Daily Read Supply Meter Point, arrange an On-Site Meter Read .

(i) approximately one month after the seventh Meter Read taken in accordance with paragraph 4.2.4 and

(ii) at intervals of approximately 1 month thereafter

A "DM Check Read" is an On-Site Meter Read referred to in paragraph 4.7.1(a) or Paragraph 4.7.1 (b).

Paragraphs 4.7.3 and 4.7.4

Amend to read:

"4.7.3 In respect of any DM Check Read, the Metered Volume will be determined by reference to:

(a) in the case of a Supply Meter which is Daily Read the period to the date of such Meter Read from the date of the preceding DM Check Read; and

(b) in the case of a DM Check Read for the DM Supply Meter Point referred to in

(i) paragraph 4.7.1(b)(i), by reference to the period to the date of such DM Check Read from the date of the seventh Meter Read for such DM Supply Meter Point.

(ii) paragraph 4.7.1(b)(ii), by reference to the period of such DM Check Read from the date of the preceding DM Check Read for such DM Supply Meter Point.

4.7.4 Where upon a DM Check Read the Metered Quantity differs from

- (a) in the case of paragraph 4.7.3 (a) the sum (the "**previous metered quantity**") of the Metered Quantities determined in accordance with the foregoing provisions of this paragraph 4 (including paragraph 4.4) for each Day of the period referred to in paragraph 4.7.3 (a); or
- (b) in the case of paragraph 4.7.3(b) the sum (the "**previous estimated quantity**") of the quantities determined in accordance with the gas consumption profile for each Day of the periods referred to in paragraph 4.7.3(b)(i) and 4.7.3(b)(ii).

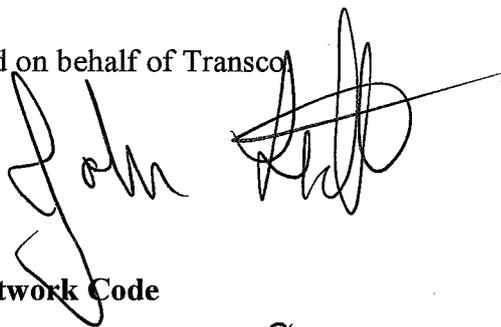
by more than 100,000 kWh (3,413 therms), Transco will determine and notify the Registered User:

- (i) the amount of such difference; and
- (ii) for each Day in such period, a part (the "DM Check Reconciliation Volume", which shall be positive where the previous metered quantity or previous estimated quantity exceeds the Metered Quantity in respect of the DM Check Read, and otherwise negative) of the amount determined under paragraph (i), in accordance with paragraph 4.7.5."

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report.

Signed for and on behalf of Transco

Signature:

A handwritten signature in black ink, appearing to read 'John Lockett', written over a horizontal line. The signature is stylized and somewhat cursive.

John Lockett
Manager, Network Code

Date:

27.7.98