

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

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:

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 principal 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 of 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 Sites & Meter database, for example where it has not been possible to install a cellular datalogger. If this occurs it is proposed that Transco utilise a seven day consumption profile for estimating purposes. This will be developed from seven 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 six 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. Consumptions can also be agreed for each separate day and adjustments made providing this information is provided within the close out period.

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

2. Transco's opinion:

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

Transco circulated a Draft Modification Report in respect of this Modification Proposal to the industry for representations in July 1998. The majority of respondents expressed concern with regard to Transco's proposals for estimating gas consumption based on a seven day profile of actual meter readings where daily read equipment is not installed and deemed in time for the first gas flow day. Transco acknowledges these concerns and, following discussion with Ofgas, has revised the proposed Network Code text such that Transco will obtain daily meter readings until such equipment is installed and deemed. Normal DM standards of service will apply.

Transco will make every effort to obtain readings in these circumstances, including contacting shippers to seek assistance if this is necessary. In addition, Transco plans to review the current siteworks procedures to ensure that customers are made aware of the requirement for meter readings to be taken on a daily basis, at reasonable times, should the need arise.

On rare occasions, however, it is possible that Transco may not succeed in obtaining actual meter readings on the supply point registration date or for one or more of the six consecutive days thereafter. In the unlikely event of this occurring, the metered quantity will be deemed to be the AQ for the supply point divided by 365 and the metered volume determined accordingly.

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 Proposal 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 DM 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

None identified.

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

Nine representations were received in respect of this Modification Proposal.

Six were supportive, two expressed no firm opinion and one was opposed.

A common theme in respect of the majority of representations received is that the issues of contention are associated with the implications of daily read equipment being unavailable for the first gas flow day. Transco's draft Modification Report, circulated for representations, identified that if such readings were not available, Transco would obtain a seven day consumption profile and subsequently use this to generate estimated readings until such time that the daily read equipment became available. However, based on industry concerns with regard to this methodology, Transco will now obtain daily meter readings until daily read equipment becomes available.

Transco would stress that as cellular equipment will, if possible, be fitted where there is a delay in the installation of conventional equipment, it is anticipated that there will be very few instances of this occurring.

Five respondents comment that in the absence of daily read equipment being available, it is Transco's responsibility to obtain actual daily reads until such equipment is in place. Transco wishes to point out that the Network Code states that in the case of DM meter points, there is no daily read requirement where daily read equipment is not operational. However, recognising shippers concerns with the current process it is now proposed to implement measures which will substantially improve the likelihood of daily read equipment being installed and operational from the first gas flow day. It is also proposed that the Network Code be modified such that where daily read equipment is not available for the first gas flow day, Transco will obtain daily meter readings until such equipment is installed and deemed. In these circumstances, normal DM standards of service will apply.

Commenting on Transco's original proposals to obtain a consumption profile in the absence of daily read equipment, four respondents claim that the first seven days consumption is not representative of the likely future offtake requirements. BGT suggests that seven meter readings be taken over a period of normal consumptions. Transco believes that as it will now obtain daily meter readings until daily read equipment becomes available, this concern is no longer relevant.

Alliance Gas comment that a cellular datalogger, if installed, should be retained until the conventional datalogger is commissioned. Transco's response is that where it is necessary to fit cellular equipment due to a delay in installing conventional equipment, the cellular equipment will remain in place until the conventional equipment is fitted.

Yorkshire Energy request that Transco provide an historical analysis on the reconciliation of DM sites for the period where they held NDM status. This is based on its concerns with what it regards as the inadequacy of the existing registration process. Transco's response is that this Modification Proposal addresses any perceived inadequacy prospectively. Based, however, on concerns that the Modification Proposal does not retrospectively address problems which already exist, Transco (Customer Portfolio Management) propose to initiate a Transco/shipper forum in the first quarter of 1999 to discuss the resolution of these.

Alliance Gas also suggest that the proposal to nominate daily metered greenfield supply points as DM from the point of registration should be optional. Transco's response is that it has already been recognised that the current procedure is inappropriate. Transco do not believe it is sensible to continue the practice of nominating new daily metered supply points as NDM.

Total Gas Marketing propose additional 'safeguards' in the case of 'exceptional circumstances'.

1. Total suggest that customer charges should not be levied in these circumstances. Transco would comment that such charges remain payable on the basis that these are designed to reflect customer related costs not necessarily associated with the nature of the meter point, e.g, emergency work. Transco would also contend that additional costs are incurred associated with obtaining daily meter readings if required.
2. Total suggest that if the seven day consumption profile, originally proposed, is used for estimating consumption at the site for more than twenty eight days, the shipper may elect that actual readings obtained from the customer should be used. Transco would comment that this is no longer necessary as Transco will be responsible for obtaining daily readings where daily read equipment is not installed and deemed.
3. In the case that the site is to become interruptible DM, Total suggest that no capacity charges should be levied thus avoiding the need for adjustment invoices. Transco would respond that provided the site is nominated as DM

interruptible the site will be charged accordingly, negating the need for an adjustment invoice.

Eastern NG's concerns are largely centred on where daily read equipment is not operating upon the completion of siteworks.

1. ENG suggested that the purpose of the new Network Code section G1.5.13 was to avoid the payment of liabilities. Transco would confirm that the purpose of the new section is solely to enable meter points to be DM where daily read equipment is unavailable. There is no intention to 'avoid liabilities'.
2. ENG claim that the new procedures create administrative complexity. Transco do not believe this to be the case as it is currently necessary to submit two nomination/confirmations in respect of such sites and the revised process will eliminate this requirement.
3. ENG argue that their potential exposure to demand attribution based on the first seven days consumption, as originally proposed by Transco, could be greater than that based on NDM demand attribution. Transco believes that this should no longer be a concern as Transco will be responsible for obtaining daily meter readings until daily read equipment is installed and deemed.
4. ENG claim that there is no proposed mitigation of the potential exposure to shippers other than relief from datalogger charges. Transco's response is that a key benefit of the modification is that shippers are not exposed to NDM algorithms. Based on Transco obtaining daily meter readings where daily read equipment is not installed, there is no additional exposure to that which normally applies to the DM regime.
5. ENG comment that there is no incentive on Transco to attempt to get the datalogger working sooner. Transco would stress that the investment in cellular equipment and in revised procedures is evidence of a Transco commitment. On the basis that Transco bears the costs of obtaining daily meter readings where daily read equipment is not available, Transco is also incentivised to get read equipment installed as soon as possible, although ultimately this may be outside Transco's control.

ENG comment that there appears to be no mechanism to ensure that a reconciliation takes place once a datalogger goes live. Transco would respond that Transco's standard commissioning procedure for all dataloggers involves the taking of a check read for reconciliation purposes and synchronisation of the datalogger with the meter reading.

ENG comment that if Transco cannot deliver the required datalogger reads than they should face an appropriate liability as an incentive to deliver. Transco would respond that the normal DM standards of service regime will apply regardless of whether Transco obtain daily readings via daily read equipment or manually.

ENG comment that if the supply point is interruptible, system security may be potentially threatened by an inability to monitor and enforce interruption. Transco's response is that where DM equipment has not yet been installed and Transco interrupts the customer, if Transco believes that a failure to comply with the interruption instruction could lead to immediate unsafe conditions, Transco personnel will be dispatched to the site to confirm that interruption has taken place.

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 28 February 1999.

16. Recommendation concerning the implementation of the Modification Proposal:

Transco recommend that the revised Network Code text is implemented in accordance with the above timescales.

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. Transco now seeks direction from the Director General in accordance with this report.

19. Text provided pursuant to Rule 8.14:

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) the Supply Meter Point is Daily Read in accordance with M1.3.1, or paragraph 1.5.13 applies, and
- (b) 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 New 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, a New Supply Meter Point which (pursuant to paragraph 7.3.5) is included in a Supply Point shall be classified as a DM Supply Meter Point, even though the Supply Meter is not Daily Read, where 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 Registered User) Daily Read Equipment is not installed at the Supply Meter, or if installed is not operational in accordance with Section M4.1.7”

Paragraph 7.3.6

Delete paragraph 7.3.6.

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 Supply Meter at a DM Supply Meter Point the relevant Day or other period in accordance with paragraph 4;"

New Paragraph 4.1.8

“4.1.8 Subject to Section G 1.5.4, where a New Supply Point has been classified in accordance with Section G1.5.13, Transco will, as soon as reasonably practicable, furnish, install, make operational and maintain Daily Read Equipment at the relevant Supply Meter, subject to and in accordance with Section M2, and will inform the Registered User when Daily Read Equipment has been installed and make operational in accordance with paragraph 4.1.7”

New Paragraph 4.2.4

New paragraph 4.2.4 to read:

"4.2.4 In relation to a DM Supply Meter Point so classified in accordance with Section G1.5.13, Transco shall use all reasonable endeavours to obtain Meter Readings by procuring On-Site Meter Reads, for each Day commencing with the Supply Point Registration Date; and the Registered User shall cooperate with Transco in relation thereto."

Paragraph 4.2.5

New paragraph 4.2.5 to read:

"4.2.5 When the Supply Meter at the DM Supply Meter Point classified in accordance with Section G1.5.13 becomes a Daily Read Supply Meter Transco will obtain Meter Readings in accordance with paragraph 4.2.1"

Paragraph 4.2.6

New paragraph 4.2.6 to read

"4.2.6 When Transco cannot obtain Meter Readings under paragraph 4.2.4 for the Supply Point Registration Date or for any of the six consecutive Days thereafter, then for each Day for which Meter Readings are not obtained the Metered Quantity shall be deemed to be the Annual Quantity for the DM Supply Point divided by 365, and the Metered Volume determined (by reference to the relevant calorific value) accordingly, but thereafter paragraph 4.4. shall apply as though a Meter Reading obtained under paragraph 4.2.4 were a Valid Meter Reading obtained from Daily Read Equipment."

Paragraph 4.3

Amend paragraph 4.3(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."

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TRANSCO NET CODE DEV

28-JAN-1999 16:49 FROM TIM DAVIS

TO

013
NETWORK CODE P.05/05

Signed for and on behalf of Transco.

Signature:



Tim Davis
Manager, Network Code

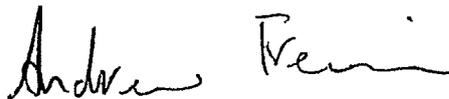
Date: 28/1/99

Director General of Gas Supply 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 0239, version 3.0 dated 26/1/99) be made as a modification to the Network Code.

Signed for and on behalf of the Director General of Gas Supply.

Signature:

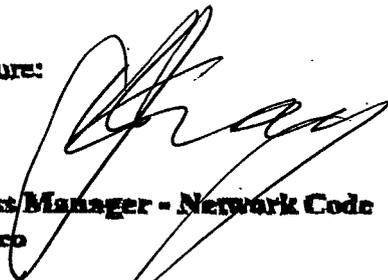


Andy Frewin

Date: 15 February 1999

The Network Code is hereby modified, with effect from 010399, in accordance with the proposal as set out in this Modification Report, Version 3.0.

Signature:



Process Manager - Network Code
Transco

Date: 19th February 1999

ANNEX

Restrictive Trade Practices Act - Suspense Clause

For the purposes of the Restrictive Trade Practices Act 1976, this document forms part of the Agreement relating to the Network Code which has been exempted from the Act pursuant to the provisions of the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996. Additional information inserted into the document since the previous version constitutes a variation of the Agreement and as such, this document must contain the following suspense clause.

1. Suspense Clause:

1.1 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:

- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply (the "Director") 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 Director 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 paragraph 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996.

provided that if the Director does not so approve the Agreement then Clause 1.2 shall apply.

1.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.