

**Modification Report**  
**URGENT Modification Reference Number 0302**

**Exclusion of Isolated Only NDM Meter Points from NDM Supply Meter Point Demand**

This Modification Report is made pursuant to Rule 9 of the Modification Rules and follows the format required under Rule 8.9.3.

**1. Circumstances Making this Modification Proposal Urgent:**

Ofgas agreed that this Transco Modification Proposal should be treated as Urgent because concern was expressed within the SPA/Metering Workstream that there could be an impact on shippers ability to balance their portfolios if measures are not taken to resolve this issue prior to the winter of 1998/1999.

**2. Procedures Followed:**

Transco agreed with Ofgas (and has followed) the following procedures for this Proposal;

Modification Proposal to Ofgas for consideration:	
for urgent procedures:	30 November 1998.
Ofgas directed as urgent:	4 December 1998.
To shippers and non-network code parties for representation:	4 December 1998.
Close out for representations:	18 December 1998.
Modification Report to Ofgas:	5 January 1999.

**3. The Modification Proposal:**

The Network Code Principal Document Section G3.4.3. states:

‘In the case of an NDM Supply Meter Point, NDM Supply Meter Point Demand will continue to be determined in accordance with Section H2 until such time as a Supply Point Withdrawal has (in accordance with paragraph 3.2) become effective in respect of the Supply Point in which the Supply Meter Point is or was comprised: but for the purposes of Individual NDM Reconciliation the Metered Quantity in respect of any period after the date of Isolation (and before reconnection) shall in accordance with paragraph 3.4.2 be deemed to be zero’.

An ‘isolated only’ meter point is a meter point which has been isolated by Transco but from which the shipper has not withdrawn. Isolation means that no gas can be offtaken at the meter point but in all other respects the shipper remains the registered user.

Over the past few months, isolation, and its commercial significance in the Network Code, has been discussed in detail by the SPA/Metering Workstream. The consensus of the group is that, on balance, isolated meter points should not be included in the demand attribution and allocation processes. This can be facilitated by temporarily transferring the site to a Transco holding account during the period of isolation. A fully automated process within UK-Link

could respond to the meter point attributes recorded on the Sites & Meters database. However, although an automated solution is currently undergoing assessment, it is not yet prioritised and is not expected to be delivered prior to mid 1999 at the earliest.

**4. Transco's opinion:**

Prior to the implementation of a full UK-Link solution in respect of isolated meter points, Transco proposes that the Network Code be modified to allow a shipper to request that an NDM isolated meter point be excluded from NDM demand attribution and allocation processes.

This proposal, developed by the SPA/Metering Workstream, is an alternative to that identified in Modification Proposal 0279 (the basis of which was to record a low AQ at a meter point while it is in an isolated status). In parallel to this 'tactical' solution, Transco plans to progress the development of UK-Link functionality to provide a robust, automated solution for isolated sites, implementation of which will require further modification to the Network Code.

For the avoidance of doubt, in accordance with the Network Code, LDZ capacity charges for isolated only meter points will continue to be payable on the basis that it is possible for these meter points to be reconnected at short notice. Transco will levy these charges manually via the ad-hoc invoice facility.

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

Currently, NDM isolated meter points are included in the determination of NDM demand and, after the gas flow day, are allocated gas. Since the meter point is physically isolated, no gas can be offtaken, (theft excluded), and consequently, any gas allocated, together with the associated commodity charges, will be reconciled back to the shipper when a meter read is processed. These rules mean that a shipper is required to source gas to meet its NDM nomination, only to be repaid for this gas, as part of the reconciliation. Arguably this results in risk for the shipper in terms of the relative unit gas costs as well as requiring unnecessary cash flows. This modification removes this risk and therefore meets Transco's PGT licence 'relevant objective' by better facilitating the economic efficiency of the system.

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

**a) implications for the operation of the System:**

Transco does not believe that the implementation of this Modification Proposal will have any impact on the physical operation of the system.

b) **development and capital cost and operating cost implications:**

Transco will incur costs in administering the supporting manual procedures.

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.

7. **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:**

As with all manually operated initiatives, some risk will apply with regard to the management of the associated procedures.

8. **The development implications and other implications for computer systems of Transco and related computer systems of Users:**

None identified.

9. **The implications of implementing the Modification Proposal for Users:**

Shippers will be required to participate in a manual procedure administered by Transco to facilitate movement of the isolated supply point to the Transco holding account. Following reconnection, movement of the supply point back into the shippers portfolio will be by normal SPA processes.

10. **The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Storage Operators suppliers, producers and, any Non-Network Code Party:**

None identified.

11. **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:**

None identified.

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

Advantages:

This Modification Proposal enables the NDM Demand Attribution process to be more representative of the true offtake requirements of each shipper. This in turn reduces the quantity of gas processed through reconciliation.

Disadvantages:

In order to meet the requirements of this Modification Proposal, it is necessary for Transco and shippers to operate a manual procedure. Dependent on the volume of requests from shippers wishing to take advantage of the facility, this could be costly for Transco to administer.

13. **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.

Eight were supportive of its introduction and one was opposed.

BGT notes that the modification does not clarify whether customer charges are raised during the period that the site is isolated. Transco's response is that customer charges will continue to be applied for the duration of the isolation provided the supply point is not withdrawn.

BGT also requested that the ceased responsibility notice issued prior to transfer of the supply point should include an identifier that acknowledges that the site is isolated only and that the site has been transferred to the Transco account. Eastern NG further requested that withdrawal and ceased ownership notifications should be submitted to shippers in separate, clearly identifiable files.

Transco's response is that this proposal is an interim measure which will enable isolated only meter points to be removed from inclusion in the NDM demand attribution process for the period up to implementation of Transco's strategic solution. This requires a manual procedure to be established. It is not possible without significant enhancement to UK-Link functionality to provide the requested identifier, or to introduce new file formats. While such amendments are possible, Transco believes that these should not be made on the basis that enhancements, if prioritised would inevitably delay the implementation of the full strategic solution and in any event would be unlikely to be delivered ahead of that solution.

It should, however, be noted that upon Transco confirming the relevant supply point into the holding account, a manual notification of the transfer occurring will be issued in addition to the automated notices issued via the SPA system (notice of withdrawal and notice of ceased responsibility).

Shell Gas Direct requested that the implementation of this solution should not in any way reduce the relevant priority of a full solution to the issues surrounding isolated meter points being sought.

Transco's response is that UK-Link Change Request 1575/2 has been raised which proposes to systematise the 'end to end' isolations process. This is currently undergoing impact assessment within UK-Link. Transco does not intend that implementation of this Modification Proposal should affect the priority of UKL1575/2. It should also be noted that the specification for the above change request includes removing isolated only meter points from inclusion in NDM demand although further modification to the Network Code will be required to effect this requirement. Transco intends to raise a Modification Proposal when appropriate.

Shell Gas Direct requested that any associated manual processes should be administratively simple and quick to implement and should be developed with the full co-operation of the SPA/Metering Workstream. Transco confirms that the procedures were discussed and developed in a number of Workstream meetings and a final draft presented to a Workstream sub meeting on 15 December 1998. As a result of discussions in that forum, further enhancements are being made to the procedure.

Eastern NG requested clarification of aspects of the supporting processes and procedures, specifically:

- Details of the procedure for withdrawing from an isolated only supply point currently residing in Transco's holding account.
- Redrafting the process flow chart to display the invoicing activity as a separate process.

Transco agreed at the Workstream sub group meeting held on 15 December 1998 to amend the appropriate documentation. This will be issued to Shippers in the near future.

Eastern NG also requested that Transco commit to provide a report to shippers detailing isolated only supply points registered to that shipper, but residing in the Transco holding account. Eastern asked that this be made available on request.

Transco's response is that this facility will be included as part of the supporting processes.

Gas Light & Coke Company note that an incoming shipper may pick up an isolated meter without knowing that it is isolated.

Transco's response is that it is possible that the respondent is confusing the physical status of the meter, ie that the meter has been clamped or removed, with that of a Network Code isolation. Isolation is a change in the transportation status following physical works (disconnection or discontinuance). It is likely that the meter points

encountered by the respondent are not the subject of a Network Code isolation, but that the offtake of gas has been physically curtailed.

The respondent states that, in such cases, Transco picks up extra capacity charges which provide no benefit for, but impose a considerable cost on, the shipper.

Transco's response is that regardless of whether a meter point is live, physically disconnected, discontinued or isolated only, the same capacity charge will be levied in accordance with the Network Code. A shipper must isolate and withdraw from the supply point if they wish to cease paying capacity charges in respect of the site.

The respondent further suggested that the Modification Proposal be amended such that 'Transco when offering on an isolated site or meter must specify that that site or meter is isolated, and the User on confirmation may specify that it is not accepting the isolated site or meter, in which case that site or meter will be automatically (disaggregated and) withdrawn with immediate effect'.

Transco's response is that UK-Link does not prevent a supply point, whether physically discontinued, disconnected or isolated from being nominated and confirmed by a prospective shipper. The confirming shipper will be aware of the operational status of the constituent meter points via the status indicator on S75 file format. This is issued with the confirmation response and transfer of ownership files.

Transco believes that it would be inappropriate to automatically disaggregate and withdraw an isolated component of a supply point upon request by the confirming shipper. Transco is of the view that only the registered (incumbent) shipper may request reconfiguration of a supply point in their ownership, or request withdrawal of any component of that supply point from their ownership.

Total Gas Marketing sought clarification with regard to the treatment of capacity, which has been 'isolated but not withdrawn', within an LDZ that is itself subject to constraints due to full utilisation of all available capacity. EIUG also expressed concern that 'these sites are withholding capacity from other system users'.

Transco's response is that LDZ capacity may only be utilised elsewhere if a meter point is physically removed from the network. This will normally only occur if the service has been removed. Physical removal of the service infrastructure will normally take place at a period of twelve months after a meter is removed. At this stage, the supply point should be isolated and withdrawn.

It should therefore be noted that the action of Network Code isolation and withdrawal does not ordinarily release capacity for use elsewhere. If the supply point is isolated only, provided the period of cessation of gas supply does not exceed twelve months, capacity will be effectively reserved for the constituent meter points.

EIUG believe that it is anti-competitive for suppliers to effectively be able to picket sites to retrieve debt. EIUG suggest that 'isolation only' should apply for a limited period after which shippers should be required by code to withdraw.

Transco are sympathetic to this viewpoint and expect that the status of 'isolation only' will only be requested by a shipper as a short term measure. This is a view generally shared by the SPA/Metering Workstream. Transco believes that if the period of isolation is likely to be lengthy, then the supply point should be withdrawn. Provided this approach is taken, it is highly unlikely that capacity will not be available upon reconnection of an isolated only meter point. The SPA/Metering Workstream have agreed to review the volume of isolated only supply points at the February 1999 meeting. Transco further proposes to raise the issue of placing a maximum timescale on the period of 'isolation only' for discussion at the above meeting.

EIUG expressed concern that Ofgas agreed for urgent procedures to be applied to this Modification Proposal. Transco sought urgent status on the basis that members of the SPA/Metering Workstream had requested that a solution to the problem of including isolated only supply points in NDM demand be established in time for the winter period.

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

Not applicable.

15. **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.

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

This modification will require the operation of a manual process by Transco in which shippers will participate. This will be managed by Transco's Customer Portfolio Management and Invoicing departments. The supporting procedures have been discussed in detail by the SPA/Metering Workstream.

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

This Modification should be implemented with effect from 31 January 1999.

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

That this modification is implemented in accordance with the above timescale.

**19. 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.

**20. Transco's Proposal:**

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Director General in accordance with this report.

**21. Text:**

Transition Document Interim Terms II

New Paragraph

Insert new paragraph 8.4.19:

“8.4.19            G3.4.3

Until 30 September 1999 or such earlier date as Transco shall determine G3.4.3 shall be amended to read:

“In the case of a NDM Supply Meter Point, NDM Supply Meter Point Demand will continue to be determined in accordance with Section H2 until:

- (i) the Registered User makes an election to cease the attribution of NDM Supply Meter Point Demand in respect of that Supply Meter Point and Transco gives the User notification of the Day on which NDM Supply Meter Point Demand ceases to be attributed; or
- (ii) such time as a Supply Point Withdrawal has (in accordance with paragraph 3.2) become effective in respect of the Supply Point in which the Supply Meter Point is or was comprised;

but for the purposes of Individual NDM Reconciliation the Metered Quantity in respect of any period the date of Isolation (and before any reconnection) shall in accordance with the paragraph 3.4.2 be deemed to be zero”.

Re-number paragraphs 8.4.19 to 8.4.23.



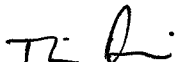
### New Paragraph

Insert new paragraph 8.3.7:

“8.3.7            E7.2.2

Until 30 September 1999 or such earlier date as Transco shall determine, when an election under paragraph 8.4.19(i) is made, in determining the user LDZ Aggregate AQ, no account shall be taken of Smaller Supply Points to which Section G paragraph 3.4.3 applies.”

re-number paragraph 8.3.7 as 8.3.8

Signature: 

**Tim Davis**  
**Manager, Network Code**

Date: 5/1/99

**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 **0302**, version **1.0** dated **5/1/99**) be made as a modification to the Network Code.

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

Signature:

**Director of Transportation Regulation**

Date:

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

### **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.