

## **Modification Report**

**URGENT Modification Reference Number 0317**

### **Smaller Supply Point ("Domestic") AQ Review for Gas Year 1999/2000**

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**

In accordance with Rule 9.1.2 Ofgas agreed that this Modification Proposal should be treated as urgent for both commercial and IS reasons. Any Network Code changes to the AQ review process should be finalised with sufficient lead time to allow the necessary functionality to be developed and all participants to familiarise themselves with the new process and procedures. Although revised AQs would not become effective until 1st October 1999, the process to establish them is due to commence in April.

#### **2. Procedures Followed**

Transco agreed with Ofgas the following timetable for this Proposal;

2nd March 1999	proposal faxed to Ofgas for decision on urgency
9th March 1999	revised proposal faxed to Ofgas
9th March 1999	letter received from Ofgas agreeing urgency and timetable
23rd March 1999	representation close out
30th March 1999	expected date of modification report to Ofgas

#### **3. The Modification Proposal**

To develop arrangements to undertake a limited review of domestic AQs for the 1999/2000 gas year.

##### **Transco Proposed Values**

Transco will only propose a new meter point AQ where the current value is classed (for the purposes of this proposal) as a default value and adequate reads exist to fulfil the requirements of Section H3.2 of the Network Code. Further to the requirements of Section H, at least one of the reads used in the calculation must have been obtained after the relevant competition effective date.

The AQ values to be reviewed under this proposal are default values used during the introduction of Domestic Competition and applied to a meter point when an AQ could not be calculated. Meter points with an AQ of 1 kWh will also be reviewed. Every meter point with one of these values as an AQ will be reviewed. A complete list of the values classed as default values is appended to this Modification Report.

## **Options:**

### **1) Default (AQ) Meter Points**

For any meter point with a default value as an AQ, a "Default (AQ) MP", the relevant shipper will be able to amend the proposed value or, where Transco is unable to calculate a value in accordance with this modification, the previous value. Any shipper proposed amendment must be supported by reads that fulfil the requirements of section H3.2. and, additionally,

- a) for a site where Transco proposes a value, no pre-competition effective date reads, other than the one used by Transco to calculate the proposed value and provided to the shipper in the notification of provisional AQ file, will be accepted to effect an AQ amendment, and;
- b) for a site where Transco could not propose a value, the reads must both relate to the period post competition effective date.

Where the shipper has been notified that a meter point AQ is eligible for review, it will only be able to change the AQ during the amendment phase of the process.

For the avoidance of doubt, the initial notification of provisional AQs and the notification required under Section G1.6.6 of the Network Code will only include meter points identified by Transco as Default (AQ) MPs.

### **2) Threshold Crossers**

The relevant shipper will also be able to amend the meter point AQ of any domestic supply meter point where it can demonstrate that the supply point AQ should be greater than 73,199kWh.

The supporting evidence required to effect a change of this nature will be either two post competitive meter reads, obtained in accordance with Section H or, where gas burning equipment has been installed in the past 24 months, a list and the consumption rating of each item of gas burning equipment on site, indicating which equipment has been installed.

Where the shipper proposes an AQ greater than 73,199kWh, it will be able to do so during both the amendment phase and the appeal phase of the AQ review process (that is up to 31/12/99).

### **3) Other Domestic Meter Points**

For any domestic meter point, other than those captured by the above two paragraphs, the shipper will not be able to propose a new AQ for domestic meter point. For such meter points, the 1998/99 AQ value will apply for gas year 1999/2000.

**4. Transco's opinion**

Transco's opinion is that this modification should be implemented as soon as practicable after the date of this report.

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

Transco believes it is too early to carry out a full Domestic AQ Review and that this proposal should reduce the industry risk of inappropriate AQs based on the limited quantity of read information that is presently available. It is believed that it will be more economic and efficient for the industry to carry out a limited review in 1999 rather than a full review of all domestic meter point AQs.

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

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

It is not anticipated that the introduction of this modification will have any implication for the operation of the system.

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

Development costs from changing UK-Link and associated procedures will result from the implementation of this proposal.

**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**

Transco does not intend to recover any costs other than those provided for in the Transportation Statement.

**d) analysis of the consequences (if any) this proposal would have on price regulation**

This proposal does not have any affect on price regulation.

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**

Transco's level of contractual risk will be reduced as a consequence of implementation. The reduced risk results from Transco's requirement to process relatively small amounts of data, as recommended in this report, rather than the current Network Code requirement to recalculate an AQ for every domestic supply point.

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

Transco has developed its system functionality to recalculate AQs at all domestic meter points. To enable a limited review to take place, additional functionality is required to identify the relevant meter points.

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

By revising the AQs of the supply points identified in this proposal, the accuracy of AQs at User portfolio level should improve. In turn this should result in better cost reflectivity through improved accuracy of demand attribution, gas allocation and transportation charging.

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**

Transco is not aware of any implications for any non-Network Code party.

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**

Transco has not been informed of any such consequences.

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

**Advantages**

This modification proposal allows Transco and shippers to focus resources on redetermining the domestic AQs which have the greatest potential to be inappropriate. Additionally, the proposal perpetuates the mechanism that allows a shipper, where it can provide the necessary evidence, to move domestic supply points into the I&C sector.

## **Disadvantages**

This proposal does not provide an opportunity to revise the AQ of the majority of domestic meter points where both the existing and the proposed values are below the 2,500tpa threshold.

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

Representations have been received from **BP Gas Marketing, British Gas Trading ("BGT"), Calortex, Eastern Natural Gas (Retail), ScottishPower, Southern Electric Gas and United Gas Services.**

All shippers that submitted representations agreed that limiting the extent of the domestic AQ review is a prudent course of action for this Gas Year and expressed support for Transco's proposal. Some shippers qualified their support with statements to the effect that the rationale for a limited review is temporary and that a full review should be undertaken prior to Gas Year 2000/01.

In addition to their general support for the proposal, BGT raised some further issues which are clarified or answered in this report.

BGT would like Transco to issue an explicit statement relating to the meter reads which will be acceptable in the amendment and the appeal process.

The rules proposed are: for a relevant meter point, a provisional AQ will be calculated where Transco has sufficient meter reads to fulfill the requirements of Section H3 of the Network Code and, additionally, at least one of the reads was obtained after the relevant competition effective date. Where the shipper wishes to amend the provisional AQ, the shipper will be required to provide two reads that fulfill the requirements of H3, at least one of which was obtained after the relevant post competition date. Additionally, if the shipper submits a read obtained prior to the competition effective date, that read must be one that Transco has already supplied to the shipper as part of the provisional AQ notification.

These rules have been developed to prevent the possibility of shippers, who collectively hold large volumes of read histories relating to the period prior to the competition effective date, selectively using data which could have a detrimental effect on aggregate AQs. Transco believes that the proposed rules offer a non discriminatory method of operating this process for a transitional period during which meter read information is not equally distributed across the industry. These proposals were established through consultation and none of the other representations commented on this aspect of the proposal.

BGT state that Transco should supply provisional AQs for all relevant supply points, not just those that have changed. Transco's response is that all relevant meter points will be included on the notification even if the value of the provisional AQ is the same as this gas year's value. This will be made clear in the legal text.

In response to BGT's request to establish a "manifest error" provision, Transco believes that this provision already exists since rules have been included that allow a domestic supply point to become a larger supply point. The manifest error concept, introduced into the Network Code as part of Modification 0289, related principally to supply points above the 73,200kWh threshold, although the rule does allow shippers to appeal the AQ of a domestic supply point where the shipper can demonstrate that the supply point should be a larger supply point.

BGT also expressed concern about Transco's ability to calculate an accurate provisional AQ where a meter exchange had taken place and read information is incomplete. Transco would like to confirm that in the absence of contiguous meter reads, to avoid spurious values being calculated, no new AQ will be proposed.

Southern Electric, although in favour of the proposal, expressed concern that a limited AQ could have an effect on the accuracy of the RbD process. Transco is aware of these concerns and are presently undertaking some risk modeling work in this area. This will be reported through the RbD subgroup of the Invoicing and Adjustment Workstream.

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

This modification is not required to facilitate compliance with safety or other legislation.

**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**

This modification is not proposed as a result of changes to the methodology established under Standard Condition 3(5).

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

UK-Link system functionality will need to be modified as a consequence of implementation. Additionally, new internal and external manual procedures will be required.

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

Implementation can be effected immediately quickly after approval. Shippers have already been informed of the new file formats that would be required to operate this process and no implementation delays for IS reasons are anticipated.

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

Transco recommends that this modification should be implemented as soon as practicable after the date of this report.

**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**

Insert new paragraph 7.15 in Transition Document II.

**7.15 Annual Quantities for Smaller Supply Meter Points for Gas Year 1999/00**

**7.15.1 For the purposes of 7.15:**

a "relevant Supply Meter Point" is a Smaller Supply Meter Point which as of 1st April 1999 has an Annual Quantity equal to one of the values listed in Annex 3.

"Competition Effective Date" in relation to a relevant Supply Meter is the relevant date in accordance with Section 6(2) of the Act, or (where the Supply Point Premises are situated in an area specified in the Gas (Extent of Domestic Supply Licences) order 1996 or the Gas (Extent of Domestic Supply Licences) Order 1997) the earlier date determined (in relation to that area) by or under such Order;

**7.15.2 In relation to the Gas Year 1999/00:**

- (a) the provisional Annual Quantity of a relevant Supply Meter Point shall, subject to paragraph 7.15.3, be redetermined in accordance with Section H3; and
- (b) the provisional Annual Quantity of a Smaller Supply Meter Point, other than a relevant Supply Meter Point, shall be the Annual Quantity applying in the Gas Year 1998/99.

7.15.3 For the purposes of redetermination in accordance with:

- (a) Section H3.2.2 the ending Meter Read is the latest Valid Meter Read (in accordance with Section H3) before 9th April 1999 in the Preceding Year.
- (b) Section H3 Transco shall not take account of:
  - (i) any Valid Meter Reading for which the Meter Read Date is earlier than 2nd March 1996; or
  - (ii) more than one Valid Meter Reading for which the Meter Read Date is on or earlier than the Competition Effective Date.
- (c) Section H3.2.1 where the Relevant Metered Period is not capable of being calculated then Section H3.1.2 shall apply.

7.15.4 Transco shall in relation to each relevant Supply Meter Point which has been redetermined in accordance with Section H3 no later than 31st May 1999 notify to the Registered User:

- (a) the provisional Annual Quantity for the Gas Year 1999/00; and
- (b) the starting Meter Read and the ending Meter Read (and their respective Meter Read Dates) for the Relevant Metered Period in accordance with Section H3.

7.15.5 Following the notification of the provisional Annual Quantity the Registered User may not later than 13th August 1999 notify Transco that it considers:

- (a) that the provisional Annual Quantity of a relevant Supply Meter Point does not satisfy the requirement in Section G1.6.9; or
- (b) that the Smaller Supply Meter Point should be comprised in a Larger Supply Point comprising the same Meter Point(s) as the Existing Supply Point.

7.15.6 In relation to any notification made by a Registered User that is referred to in paragraph 7.15.5 the Registered User shall specify at least two Valid Meter Reads which comply with the requirements of Section H3.2.

7.15.7 In respect of any Meter Read provided by the Registered User pursuant to paragraph 7.15.6 which is on or earlier than the Competition Effective Date, such Meter Read shall be the Meter Read notified to the Registered User pursuant to paragraph 7.15.4 (b).

7.15.8 Having regard to and following the notification by the Registered User further to paragraph 7.15.5 (and provided that the requirements of paragraphs 7.15.6 and 7.15.7 are met) Transco will redetermine the provisional Annual Quantity.



7.15.9 Transco shall not later than 14th September 1999 notify to each User the Annual Quantity of each relevant Supply Meter Point applicable for the Gas Year 1999/00.

**Note regarding legal text:**

This legal text does not include provisions to allow the AQ of a domestic meter point to be appealed by reference to a change of gas burning equipment. This exclusion is deliberate since it is Transco's intention to review the contents of Section G1.6 of the Network Code prior to the commencement of the next gas year, that is, prior to the first day these provisions could conceivably be used. It is felt that this is the most efficient means of incorporating these specific rules in the Network Code. In the unlikely event that a review of G1.6 does not take place, Transco will seek to ensure that the Code is modified to give effect to these rules by issue of a Consent to Modify.

Signed for and on behalf of Transco.

Signature:



**Tim Davis**

**Manager, Network Code**

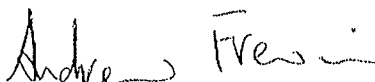
Date: 26.4.99

**Director General of Gas Supply Response:**

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licence dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference 0317, version 1.1 dated 26/04/99) be made as a modification to the Network Code.

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

Signature:



A.M. FREWIN.

DIRECTOR, CONSUMER AFFAIRS & LICENSING

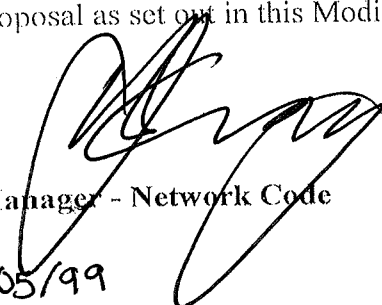
**Director of ~~Transportation Regulation~~**

Date:

5/5/99

The Network Code is hereby modified, with effect from 06/05/99, in accordance with the proposal as set out in this Modification Report, version 1.1.

Signature:



**Process Manager - Network Code**

**Transco**

Date: 06/05/99

## 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.

## ANNEX 3

### AQ Value (in kWh)

1  
17319  
17525  
17606  
17701  
18005  
18146  
18402  
18544  
18551  
18670  
18672  
18701  
18705  
18780  
18813  
18816  
18851  
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18948  
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