

Final Modification Report
Modification Reference Number 0321
Provision of remote access to supply point dataloggers by remote users.

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:

Transco is required to make available to Registered Users on request, remote access to their DM customers' dataloggers via the Datalogger Bulletin Board (DBB). This service should be available to Registered Users with no more than seven days notice to Transco (MR).

The Registered User will be able to access their DM customers dataloggers via the DBB using a PC and modem. Access to more than three (3) records per meter per day will be on a reasonable endeavours basis. This excludes the 6am read taken by Transco.

The service is ordinarily required by Shippers as it will benefit all Relevant Shippers not just those with DM customers. The costs of Transco providing this service will be recovered through the Transportation formula. However, in the absence of improvements in DM forecasting, Registered Users using this service should pay for the marginal costs of this service, recognising the implications for cost reflectivity and future competition.

Registered Users would undertake to provide this information to relevant customers on request on an equal access and non-discriminatory basis.

2. Transco's opinion:

Transco has established plans for the early introduction of a Bulletin Board Service (BBS), based on a trial datalogger BBS undertaken during 1998 and limited to a small number of shippers. Feedback from this was positive and hence Transco's proposal to launch a new trial to all shippers during August 1999 using an enhanced bulletin board product. Transco does not believe, however, that incorporation of the details of the facility in the Network Code offers any additional benefit to shippers.

Transco has presented its ideas for the new trial to two Network Code Workstreams - SPA/Metering, Energy and Capacity - and to the RGTA Development Workgroup 0312/0313. Initially the service will be set up to enable shippers to obtain regular four hourly consumption updates an hour after they become available from all their daily metered (DM) dataloggers. Further work is underway to assess the operational feasibility of enabling shippers to obtain hourly updates throughout the day. It is envisaged that providing such updates would remove the need for an on-demand facility.

Transco believes that if the service is introduced into the Network Code, its development may be slowed as any changes will be subject to the modification process. The introduction of new information or data services will be more easily achieved by making the BBS available quickly and acting upon users' feedback to further enhance and improve the product.

Transco is also concerned about embodying the BBS in the Network Code because Ofgas has indicated that industry workgroups will be set up in the near future to support the unbundling of metering and meter reading from transportation arrangements. This will include a review of the Network Code to identify areas for change. Provision of daily meter readings is an area that will be subject to review and may be removed from the Network Code. Against this background, it does not seem appropriate to be defining new services in the Network Code.

In their representations to the Draft Modification Report, the majority of shippers, while acknowledging Transco's arguments, argued that the service should be embodied within the Network Code. Transco accepts the level of shipper opinion and in the interests of meeting the wishes of its customers has provided appropriate legal text to permit the incorporation of the service within the Network Code subject to direction by the Director General.

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

Economic operation of the system is facilitated by access to BBS information on the basis that it improves shippers ability to forecast consumption in respect of DM sites.

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

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

None identified.

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

All costs associated with the new BBS are detailed in the draft pricing consultation paper which was passed to Ofgas in mid March 99 and subsequently amended in April 99. A copy of this is attached.

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 attached draft pricing consultation paper outlines Transco's views on how the costs should be recovered.

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

Transco intends to consult on the draft price proposals in July 1999 and treat the income from BBS as formula revenue.

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:**

None identified.

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

The data to be accessed by this service is held on the the datalogger collection system which is not part of the UK- Link Sites and Meters database.

The introduction of the BBS will not require the purchase of special software applications by shippers. To access the system users must, however, have internet access and a standard browser eg. Netscape or Explorer, and a suitable modem.

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

Shippers having non-daily metered (NDM) sites only will have the same rights to recommend change to the BBS by proposing modification to the Network Code as those shippers having daily metered (DM) supply points.

8. **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.

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:**

None identified.

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

Advantages

- Establishes the BBS service under the Network Code as a transportation service.
- Ensures that enhancements are controlled within the established modification process.

Disadvantages:

- If the Network Code were modified, this may be on a short term basis only pending metering and meter reading unbundling.

- Maintaining the service outside the Network Code may enable it to be more flexible and receptive to change.
- Any contractual arrangement for provision and utilisation of the facility will be simplified if the service is maintained outside the Network Code.

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

Ten representations were received with respect to this Modification Proposal, nine of which were supportive of its objectives and one of which was opposed.

General issues:

Five respondents make general reference to the benefits of the service in terms of DM shippers having the ability to better forecast and nominate DM sites, the consequent reduction in NDM deviation and the improvement in system security through more effective monitoring of interruption. Transco concurs with this viewpoint but would note that these benefits are a result of the provision of the service and will be accrued regardless of whether or not it is incorporated within the Network Code.

Four respondents register their view that the provisions of the service must be embodied within the Network Code rather than in a separate contract whilst DM meter reading and ownership remain bundled. Transco's response is that it expects any free standing contract to be subject to Ofgas approval. If and when the DM service is unbundled, the arrangements for this service could be reviewed.

Three respondents suggest that the service is 'ordinarily required' as it facilitates the relevant objectives and benefits the entire gas market. Two of these make reference to Transco's estimate of 70% of DM shippers utilising the service. Transco's response is that it believes that the service provides 'added value' to the existing DM regime which has been in place from the implementation of the Network Code. As this has hitherto operated satisfactorily, the BBS should not be deemed as 'ordinarily required' and need not therefore be incorporated within the Network Code. Transco, however, acknowledges the views of shippers and has therefore provided legal text to support implementation of the Modification Proposal.

Three respondents comment that the service will provide shippers with in-day information on DM offtakes which will prove more meaningful with the introduction of new gas trading arrangements in October this year. One shipper suggests this could provide the base for further modifications to tighten the balancing incentives envisaged under RGTA for these sites.

Transco's response is that balancing tolerances are likely to be tightened from 1 October 1999 and may be reduced to zero next year. Shippers would therefore be very keen to balance inputs and outputs on a daily basis to avoid cashout. The provision of this data, by improving information on DM's will aid shippers in DM forecasting and may thus improve balancing performance. This of course depends

very much on how shippers use the information and how any other commercial drivers influence balancing behaviour. Provision of the data does not guarantee better performance.

Pricing issues:

Six respondents make reference to the applicability or level of charging Transco has proposed in its draft consultation paper. Transco's response is that, while this was attached to the Draft Modification Report for information purposes only, it will take into consideration all comments received in preparation of its pricing consultation with respect to the BBS. It is expected that this will be circulated to shippers for representation in July 1999.

Pricing related comments received are summarised (without comment) as follows:

One respondent comments that Transco should not be making additional charges for the service, but that any charges should be within the existing DM charge which it notes is above a cost reflective market price of such a service. The respondent comments that it would welcome the opportunity to change provider. If this recommendation was not accepted, the respondent comments that any demonstrable incremental costs of implementing this ordinarily required service should be recovered through the existing transportation formula, preferably the LDZ commodity charge, as this is where the benefits would lie, and where costs can be most appropriately apportioned.

Two respondents believe that all registered users should pay for the cost of the service.

One respondent comments that the BBS should not be subject to any cross subsidy from the NDM sector of the market. It suggests DM shippers should be charged on a cost reflective basis, the service being an option which DM shippers can purchase.

One respondent comments that as Transco will benefit substantially from the availability of in-day reads, it would be unreasonable to allow additional regulated revenue. It notes that existing daily metered supply point charges are already more than sufficient to justify provision of this service.

One respondent notes that there appears to be a substantial amount of costs attributed to development and implementation of an already trialled service. The respondent comments that linked to this, shippers may additionally face high charges for the provision and reading of dataloggers should pricing proposal PC47 be implemented.

One respondent expects that Transco should also charge internally where other parts of Transco use the information obtained through the service.

Other issues raised:

Yorkshire Energy Limited

This respondent notes that customer access to such information from their shipper should be readily available. Transco concurs with this viewpoint but this cannot be considered within the context of the Modification Proposal.

Alliance Gas

This respondent, while generally supportive of the Modification Proposal believes that in view of the industry's moves to unbundle metering services and the current renegotiations of the Incentive Based Meter Reading Contract, it would be more appropriate for the provision of datalogger information to be outside the Network Code. The respondent notes, however that there would need to be a robust, effective contract in place, with appropriate liabilities attached. The respondent believes that the development of this contract should form the basis on an industry working group. Transco's response is that if the service were to be offered on a stand alone basis, such a group would be helpful.

The respondent also raises a number of issues as follows:

With regard to the bulletin board functionality, the respondent makes reference to concerns that a large volume of traffic accessing the BBS can have an impact on the functionality. The respondent asks how Transco proposes to mitigate the risk of shippers being unable to access their data in a timely manner. Transco's response is that it does not foresee any constraints in the area of shipper access and is confident that high levels of access will not have an undue impact on the functionality.

The respondent expresses concern as to the usefulness of non validated data provided as a within day information service. They ask if shippers will be able to download the data in order to undertake validation and if data is found to be incorrect, if it will be possible to undertake a retrospective amendment. Transco agrees that the data will be unvalidated and it is for the shipper to therefore determine whether and how it may apply that data. It is only currently possible for shippers to manually copy data from the BBS. It is, however, proposed in a future phase of the project that shippers will be able to download data electronically. It is not possible to change any data retrospectively via the BBS.

The respondent notes that it is essential that the bulletin board is updated on a daily basis to accurately reflect any shipper portfolio changes. Transco's response is that the data will be initially updated twice per day to include reflecting changes of shipper ownership.

Aquila Energy

This respondent suggests that maintaining the service outside the Network Code does not provide shippers with any assurance on the standards of service that may be

received. Transco's response is that this would be a matter for discussion and inclusion in the appropriate contract for the BBS.

The respondent notes that it is not clear why Transco should be concerned about embodying the service within the Network Code, since its inclusion could be readily removed as was the case with storage unbundling. Transco's acknowledges this point but believes that the incorporation of the service in the Code followed by subsequent removal represents unnecessary effort for the industry.

British Gas Trading

This respondent expresses concern that the internet site may not be secure and that no party should be able to view data other than those at which they are the registered shipper. The respondent also notes that any breaches of security should be reported to users of the service immediately. Transco's response is that the service incorporates a high level of security being a closed network (extranet). This includes password access and real time checking of supply point ownership. No access to previous history will be permitted where the shipper was not the registered user at the time. Transco will advise the registered user in the unlikely event of a breach of security occurring.

Energy Intensive Users Group

This respondent expresses its support for the Modification Proposal noting that the information available from the BBS is a useful tool which both shippers and customers should have access to to ensure the best use is made of the NTS system as a whole. Transco's response is that at present, this service is confined to shippers only but it may be possible, once Gas Act requirements have been clarified, to extend the customer base.

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:

No additional works over and above those already developed or planned are required.

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

Transco plans to implement the Bulletin Board Service during August 1999. If this Modification Proposal is implemented it would need to be effective on the date the service becomes available.

16. Recommendation concerning the implementation of the Modification Proposal:

Transco recommends that this Modification Proposal be rejected in favour of its proposed 'freestanding' arrangement. However, in recognition of the degree of support for the proposal, legal drafting has been supplied which will support 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:

Transco proposes that the BBS should not be embodied within the Network Code but should be incorporated within 'freestanding' contracts between Transco and individual shippers. However, in acknowledgement of representations received, Transco has included legal drafting which will permit inclusion of the service within the Network Code subject to the direction of the Director General.

19. Text:

Principal Document Section M

Delete Paragraph 4.6 replace with:

4.6 User or consumer access to Daily Read Equipment

4.6.1 Subject to paragraph 4.6.2, where Daily Read Equipment is furnished and installed by Transco in accordance with paragraph 4.1.5, Transco will, upon request by the Registered User and provided it is operationally feasible to do so:

- (i) permit an arrangement whereby either the User or the consumer (but not both) shall have access to the Daily Read Equipment for the purposes of obtaining directly readings from the Supply Meter Installation.
- (ii) make available to the User, readings received from the Daily Read Equipment in respect of each hour of a Day, and provide such readings to the User at four hourly intervals.


4.6.2 In any case where an arrangement is permitted under paragraph 4.6.1 (i):

- (i) the Registered User shall bear or secure that the consumer bears all costs incurred in connection with such arrangement, and shall secure that such arrangement will not interfere with the Supply Meter Installation or its operation, or with the obtaining of Meter Readings under paragraph 4.2.
- (ii) such arrangement shall not be taken as implying any contractual relationship between Transco and the consumer.

4.6.3 Data obtained by the Registered User or consumer under paragraph 4.6 shall have no significance for the purposes of the Code.

Signed for and on behalf of Transco.

Signature:



Tim Davis
Manager, Network Code

Date: 18 June 1999

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 0321, version 1.0 dated 16/6/99 be made as a modification to the Network Code.

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

Signature:



18 **Director of Transportation Regulation**

Date: 7 October 1999

1st November 1999.

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.

Charges for Datalogger Bulletin Board Service

Draft Consultation Paper

1 Introduction

This paper sets out proposals for charges for access to within day DM datalogger information via an electronic bulletin board service.

Transco intends to offer this service to shippers in the summer of 1999.

Transco carried out a limited trial during 1998 with a small number of shippers to evaluate whether such a service was technically feasible and whether shippers and others would be interested in the facilities. Following that trial Transco received requests for wider availability of the service.

2 Services Offered

Users of the service will be able to access the information from their offices via an Internet browser and dial up facility. Hourly consumption data from the loggers for Daily Metered (DM) and interruptible supply points will be updated at four hourly intervals and posted to the bulletin board.

An additional option might be a facility which allows users to update consumption information 'on demand' by initiating a telephone call to the logger via the bulletin board. Development of this facility will take place slightly later than summer of 1999. However, Transco is investigating the costs and practicalities of alternatives to an on demand service, for example by offering hourly updates.

Users will also be able to view historical hourly information dating back to the start of 1998 (or when they took over the supply point, if this is later). Initially the information will be provided to users in a standard format, however Transco will work with users to produce a suite of reports that meet users' requirements. The proposed charges are based on one account per organisation and up to three days spent on installation and training at each organisation. The charges for additional training or support will be agreed on an ad hoc basis.

3 Costs Included

The proposed charges for the bulletin board are based on the marginal costs incurred by Transco in providing the service. The cost elements include the additional telephone calls required to the loggers, the purchase of additional computers and modems, and the costs of software development to store the information and allow secure access to information by users.

Of these costs, some will not vary, some will vary with the number of organisations and other costs will vary with the number of dataloggers for which information is posted on the BBS. Given this structure of the costs, Transco considered various options for the structure of the charges. A discussion of alternative charging structures is given in section 3.6. However, for simplicity of application and to minimise up front charges Transco's preferred option would be to levy the annual charge per logger on the first occasion information is requested for that particular logger. Shippers will be able to choose the loggers to appear on the BBS - there will be no requirement for a shipper's entire portfolio to be included.

Transco has assumed a two thirds take up of the service, on the basis that more than half the shippers but not all would be interested in the service.

3.1 IT Hardware Costs

As is normal practice for computer based services, two sets of additional computer equipment will be required to provide an adequate back up facility. The cost of purchasing these computers is just under £10,000.

The cost of the computer equipment will be recovered over a three year period in line with Transco's assumptions on the life of the bulletin board software in its current form. Normally Transco depreciates computer equipment over five years. However, for this service the equipment is specialist, and Transco does not expect that it could be put to an alternative use at the end of the three years. Transco's best estimate of the useful life of the software assumes that the service will last longer than one year but less than five. Software of this nature is changing rapidly, but a balance must be struck between continually upgrading software to reflect recent developments and allowing the product to become obsolete.

The annual equivalent cost for the computer equipment, taking into account a return of 7% per annum on the capital is £3,600.

3.2 IT Software Costs

The cost of developing the software from the version used in the trial to a 'production' version, allowing wider availability of the service, and the setting up of accounts for users is expected to be £30,000, with ongoing costs of £3,600 per annum in the second and third years to update the bulletin board service, giving a total cost of £37,200 over three years. These costs have been spread over three years, equivalent to £13,000 per year to recover the same amount in Present Value terms.

The initial development of the service will be carried out by contractors. Transco envisages that the expertise required to maintain and enhance the BBS will be transferred from contractors to Transco staff, so that the ongoing activities in the second and third year may be carried out by Transco staff at a weekly cost of £1,200. The weekly cost is calculated as follows:

| | |
|---------------------------------|-----------|
| Annual salary | £21,000 |
| No. of days available per annum | 220 |
| No. of weeks available p.a. | 44 |
| Cost per week | £477.27 |
| Uplift @ 150% | £715.91 |
| Total per week | £1,193.18 |

There are three major activities in the development of the bulletin board system, set up and test accounts; security and final web page development; and on demand and user friendliness improvements. The costs are more or less equal between these three activities.

Enhancements to and maintenance of system, development of additional pages etc. in second and third years

3 weeks per year at £1,200 per week - £3,600 per annum

Software controls will be developed to ensure security of access, so that users can only view information to which they have legitimate access. The use of a standard Internet browser as the interface minimises the costs of development tools to access the bulletin board and also the amount of training and subsequent support required by users.

3.3 User Set Up Costs

In addition to setting up the account, time will be spent with users setting up the user accesses and training. Previous experience has shown that on average it takes three days to set up and train each user. Assuming that 70% of shippers with loggers take the service (18 users) at a cost of £500 per day the costs of this are expected to be £27,000, spread over three years.

3.4 Administration Costs

Additional administration activities, unrelated to software maintenance, will also be carried out. These activities include updating the security system, dealing with queries and invoicing the users. This is estimated to require the equivalent of one day per week by one full time person at an annual salary of £21,000. Including all support and sustaining costs, the annual cost is £12,410, calculated as before:-

| | |
|---------------------------------|-----------|
| Annual salary | £21,000 |
| No. of days available per annum | 220 |
| No. of weeks available p.a. | 44 |
| Cost per week | £477.27 |
| Uplift @ 150% | £715.91 |
| Total per week | £1,193.18 |
| Annual cost of one day per week | £12,410 |

3.5 Telephone Call Costs

The final additional activity required to support the bulletin board is the additional telephone calls required to the dataloggers. Six calls will be made daily (apart from the on demand calls), the cost of one of which is already included in the datalogger charges. Four hourly updates have been proposed by Transco to mitigate the risk of service degradation. If data is available at regular intervals the need for shippers to instigate additional calls should be reduced. Since at present telephone calls are made to collect within day information for Transco's Interruption Manager System (IMS) for two thirds of the year, only a proportion of the cost of additional calls is included. Each call costs 2.5p, giving an annual additional telephone call cost per logger of

$$2.5 * 5 * 365 = £45.62$$

Assuming that IMS uses the information for eight months of the year, the marginal cost is £15.21 per datalogger.

Transco proposes that since the major costs associated with the provision of the on demand service arise from the development of the software to support the activity that the costs of on demand are included within the per logger bulletin board charges. This simplifies the administration and charge structures. On the assumption that 90 (one per day for three months) on demand calls are made each year on average to a logger, at a cost of 2.5p per call the cost of on demand calls per logger is £2.25 per annum.

3.6 Proposed Annual Charge

The following table summarises the annual operating expenses and return on asset for the proposed bulletin board service:-

| | |
|---------------------------------------|---------|
| IT hardware (depreciation and return) | £3,600 |
| IT software costs | £13,000 |
| User set up costs | £9,000 |
| Administration costs | £12,410 |

Total

£38,010

Assuming that the bulletin board service would be required for 1,750 dataloggers (70% of the DM population), a per logger charge based on the above costs would comprise a unit cost of £21.72 per datalogger, plus telephone charges of £17.46 per logger. The annual total proposed charge is **£39.18** per annum.

Of the costs, approximately 30% of the costs relate to the number of users on the system (user set up and the invoicing activities, about half the administration costs) and can be assumed to be driven by the number of users of the bulletin board. The remaining costs could be assumed to vary with the number of loggers whose information is posted on the board. An alternative charging structure would be to levy a per user charge plus a per logger charge. Using the costs and assumptions outlined above (18 users), the proposed charges would be:

User charge: **£845** per annum

Logger charge: £13.03 + £17.46 = **£30.49** per annum

4 Question for Consultation

Respondents are invited to comment on Transco's proposed charges for a bulletin board service for dataloggers.

Specifically, users are asked to comment on:

- which structure of the charge, as outlined above, is preferred
- if it were possible to provide hourly updates to the BBS for DM loggers, would this be preferable to the four hourly updates with on demand calls
- Shipper views on the standard format of information.