

Draft Modification Report
Changes to provisions relating to obtaining Meter Readings in respect of Annual Read
Supply Meters installed at Smaller Supply Meter Points
Modification Reference Number 0471
Version 2.0

This Draft 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

Modification of the Network Code is required to reduce the existing requirement for a User to read 100% of relevant Annual Read Meters within its portfolio every twenty four months to 95%, and to remove the current Network Code obligation for Transco to obtain Meter Readings for Annual Read Supply Meters installed at Smaller Supply Meter Points.

Transco and Users' existing Meter Reading obligations with respect to annually read Supply Meters installed at Larger Supply Meter Points would be unaffected by implementation of this Modification Proposal.

2. Transco's Opinion

Currently the Network Code (Section M3.5) requires Transco to use 'reasonable endeavours' to procure Meter Readings in respect of any Annual Read Meter where a User has not met its obligations to obtain a Valid Meter Reading every twenty four months. Where, in these circumstances, Transco obtains a Meter Reading the User will be charged. This requirement is commonly termed a 'must read' and was originally incorporated within the Network Code to support the Non-Daily Metered (NDM) reconciliation processes and Annual Quantity (AQ) derivation. With the introduction of Reconciliation by Difference (RbD), Smaller Supply Meter Points are not individually reconciled and readings are only used by Transco only for AQ derivation.

The Network Code (Section M3.5.1) establishes that each User shall secure a Valid Meter Reading for 100% of relevant Annual Read Meters not less frequently than once every twenty four months. Transco believes that this requirement is unduly stringent with respect to Supply Meters installed at Smaller Supply Meter Points and is of the opinion that a revised value of 95% in every twenty four months would be sufficient to meet Users requirements - which is coincident with actual performance levels. Transco therefore considers the existing 'must read' requirement for Smaller Supply Meter Points to be redundant.

Transco currently provides in disc format quarterly notification to Users that a 'must read' is due. In support of this Modification Proposal, Transco intends to increase the frequency of this notification to monthly. Transco further plans to modify the reporting mechanism to provide Users with advance notification of any Supply Meters approaching 'must read'

status by advising of unread Supply Meters at twenty months (instead of twenty four months). A series of reports detailing User read performance will also be provided on a monthly basis to Ofgem.

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

The purpose of this Modification Proposal is to reduce the 100% requirement for Users to read Annual Read Meters at Smaller Supply Meter Points every twenty four months. Transco considers that the current requirement is unnecessarily stringent and should be reduced to 95%, which could reduce industry costs associated with the procurement of meter readings without adversely affecting AQs.

A further purpose of this Modification Proposal is to remove an outdated and inappropriate obligation on Transco to obtain Meter Readings for annually read Supply Meters installed at Smaller Supply Meter Points. Transco's view is that, since the introduction of RbD, this activity is redundant.

By reducing costs to the industry, this proposal seeks to further the economic operation of the pipeline system.

**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:

Transco has not identified any capital or operating cost implications.

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:

Not applicable.

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

No such consequences have been 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

No such impacts have been identified.

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

Whilst there would be minor changes to Transco's report generation programs, Transco is not aware of any impacts on User's systems.

7. The implications of implementing the Modification Proposal for Users

No such implications have been identified.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

No such implications have been 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

No such consequences have been identified.

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

Advantages:

Provides Users with more flexibility in meeting their Network Code 'cyclic read' obligations.

Unnecessary User costs in managing the 'must read' process and reimbursing the PGT are removed.

Unnecessary PGT costs associated with procuring 'must read' meter readings are avoided.

Disadvantages:

Transco is not aware of any disadvantages.

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

Representations are now sought.

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) or the statement furnished by Transco under Standard Condition 3(1) of the Licence

Implementation of this proposal is not required to facilitate any such change.

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

No works would be required to implement this Modification Proposal.

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

This Modification Proposal could be implemented with immediate effect following direction.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal be implemented.

17. Text

Paragraph 3

Paragraph 3.5.1(i) delete and replace with:

"(i) not less frequently than once every 24 months for not less than 95% on Relevant Annual Read Meters where the Annual Quantity of the Supply Point in which the relevant Supply Meter Point is comprised does not exceed 72,300kWh (2,500 *therms*), subject to paragraph 3.5.4"

Paragraph 3.5.1 Add new paragraph 3.5.1(iii) to read:

"(iii) not less frequently than once every 24 months for all Relevant Annual Read Meters where the Annual Quantity of the Supply Point in which the relevant Supply Meter Point is comprised exceeds 72,300kWh (2,500 *therms*), subject to paragraph 3.5.4;"

Paragraph 3.5.4 delete:

"paragraph 3.5.1(i) " and replace with "paragraph 3.5.1(i) and (iii)".

Paragraph 3.6.1 delete and substitute:

"3.6.1 Subject to paragraph 3.6.4 and 3.6.5, where at the end of any calendar month a User has failed to comply with the requirement in paragraph 3.4.1(i) in respect of a Monthly Read Meter or the requirement in paragraph 3.5.1(iii) in respect of an Annual Read Meter :...."

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

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date: