

Modification Report
Transitional Provisions for the Meter Asset Service Standard
Modification Reference Number 0648

Version 1.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

Transco is proposing that the provisions for the service standard relating to updating relevant Meter Information in Section M2.7 of the Network Code which is to be removed as part of the implementation for Modification Proposal 0565, are transferred to the Transitional Arrangements until Metering Separation. To facilitate compatibility with Modification Proposal 0565, a minor change will be required in respect of the provisions relating to the Compensation Group name, relevant aggregate requirement and removal of Network Code references to redundant standards. The proposed implementation date of this Modification Proposal is linked to the implementation date for Modification Proposal 0565.

2. Transco's Opinion

Transco is of the opinion that, as the Metering Separation date is still being discussed by the Industry, it should make arrangements for the existing provisions for the meter asset standard to continue after the implementation of Modification Proposal 0565 on 1 October 2003. When Modification Proposal 0565 "Transco Review of the Network Code Standard of Service" is implemented on 1 October 2003, the existing service standard for Meter Asset Updates (TSOS40 and TSOS40a) will cease. The Standards of Service Development Work Group identified that there may be a potential gap between the implementation of Modification Proposal 0565 and the Metering Separation date and agreed that this should be reviewed when the dates for both had been confirmed.

The timing for raising this Modification Proposal by Transco has been contingent on the outcome of other Industry discussions ie. Metering Separation. As the existing meter asset standard and associated liabilities would cease on 1 October 2003 it requested Ofgem to consider Urgent status for this proposal. This request was subsequently rejected by Ofgem as detailed in its response dated 15th September 2003.

Transco has considered this service standard to ensure compatibility within the new Standards of Service regime as developed through Modification Proposal 0565. The proposed revisions and reasons for the requirements are shown below:

- Relevant Aggregate Requirement - As the Relevant Aggregate Requirement is no longer part of the new standards of service regime as developed regime under Modification Proposal 0565, this needs to be removed from this standard.

- **Compensation Group Name** - All the Compensation Groups were revised as part of the development of Modification Proposal 0565 and the existing group name for this standard 'D' is no longer relevant ie. it now relates to DM Suppressed Reconciliation. Transco is proposing Compensation Group L based on its synergies with related service standards for query resolution on meter assets and its financial value of £10,000,000 for the Compensation Year.
- **Network Code References** - Removal of the Network Code references for those standards that have been removed from the existing standards of service regime following development of Modification Proposal 0565 need to be deleted ie.G4.6.1 (Notification of Supply Point Confirmations).

Transco has raised this Modification Proposal following the commitment it gave at the last Standards of Service Development Work Group meeting to review any potential gap period for this standard between the implementation of Modification Proposal 0565 and Metering Separation date. Although the latter is still under discussion, Transco's decision to progress this Modification Proposal now rather than at a later date (ie. when the discussions had been concluded with a confirmed Metering Separation date), was made to minimise any potential cessation period of this service standard which was a concern raised by Users.

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

The retention of this service standard would better facilitate the relevant objectives by continuing to incentivise Transco's to pass on data in a timely manner. This is helpful to both shippers and suppliers and will support supply competition and is a contributing factor to the efficient and economic operation of the System.

**4. The implications for Transco of implementing the Modification Proposal , including
a) implications for the operation of the System:**

No such implications have been identified.

b) development and capital cost and operating cost implications:

No such implications have been identified.

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's costs would be treated as normal operating costs.

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

Transco's contractual risk will increase as a consequence of implementing this Modification Proposal given that following the implementation of Modification Proposal 0565 no standard will exist from 1 October 2003.

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

No system implications have been identified by Transco. Transco is not aware of any system implications for Users.

7. The implications of implementing the Modification Proposal for Users

Transco will continue to be financially incentivised to pass on data in a timely manner and Users will continue to receive liability payments where Transco fails to meet its performance for this service standard.

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 legislative or regulatory obligations have been identified.

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

Transco considers that the advantage of implementing this Modification Proposal is that Transco will continue to be incentivised to pass on data in a timely manner and Users will

continue to receive liability payments where Transco fails to update and provide relevant meter information to Users within a given time frame.

Transco cannot identify any disadvantages for Users should this Modification Proposal be implemented.

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

Representations from six Users have been received which all support implementation of this Modification Proposal.

Innogy, Powergen, British Gas Trading ("BGT"), Statoil ("STUK"), BP Gas Ltd ("BPG"), and Scottish and Southern Energy Supply Ltd ("SSE").

- **Transitional Arrangements**

All Users expressed the view that this Modification Proposal should be re-introduced into the Network Code for a transitional period until Metering Separation. Powergen stated "*The maintenance of the Meter Asset Service Standard places the correct incentives on Transco to provide relevant metering information in a timely manner (prior to the implementation of Metering Separation).*" This view was shared by Statoil and it stated "*As the date for meter asset separation is not yet known, this modification proposal will enable transitional arrangements to be in place which will effectively bridge the gap between implementation of mod proposal 0565 on 1st October 2003 and the go live date for the new metering contracts*". The views of both BPG and SSE were that these transitional arrangements were required as they would continue to incentivise Transco to update and provide relevant meter information to Users in a timely manner and Users will continue to receive liability payments where Transco fails to do this.

Although BGT agreed that this standard should be transitional, it did express disappointment that Transco had not previously sought to resolve this issue prior to the implementation of Modification Proposal 0565. BGT stated "*It is BGT's view that Transco have had ample opportunity to resolve this issue*". *The consequences of the belated timing of Transco's proposed solution are that (until the issue is resolved) Transco will not be properly incentivised to meet their Meter Asset Service levels*". BGT further stated "*This may lead to a deterioration in service for which Transco will avoid the financial liability*".

Transco's Response: During the discussions for the development of Modification Proposal 0565, Transco gave a commitment that it would review any potential gap period between the implementation date for Modification Proposal 0565 and Metering Separation date. At the time of the discussions with the Standards of Service Development Work Group, the Metering Separation Date was November 2003 and a gap of a month or so was considered to be acceptable, albeit in any event this period would need to be reviewed.

In order for Transco to review a potential gap period it required Ofgems determination on Modification Proposal 0565 and the Industry's decision on the Metering Separation Date.

Ofgem provided its determination for Modification Proposal 0565 to Transco on 1 July and an implementation date of 1 October was agreed. During July and August the Metering Separation date was still being discussed by the Industry and revision to this date (November 2003) had still not been agreed. In view of the circumstances, Transco made arrangements to raise a Modification Proposal which was sent to Ofgem on 11 September requesting Urgent status. It is Transco's view that it has sought to make alternative arrangements and avoid any cessation of this standard given that the Industry are still discussing the Metering Separation date, and Transco could have awaited the outcome of this before raising this Modification Proposal. However, Transco does recognise the importance of maintaining this service standard and is continuing to its monitor performance at this time.

- **Relevant Aggregate Requirement**

BGT believe that the transitional arrangement for this service standard should be based on the existing provisions. It stated *"BGT believes that the "Relevant Aggregate Requirement" should be kept as no clear justification has been provided for its removal"*.

Transco response: During the development of Modification Proposal 0565 ' Transco Proposal for Revisions of Network Code Standards of Service', the Development Work Group agreed the proposed levels of performance and payments for each specific standard which formed part of the overall package. The meter asset standard and the relevant aggregate requirement did not feature in these discussions as these were not included in the original standards of service Modification Proposal 0514 'Revision of Transco Network Code Standards of Service', raised by BGT. Transco does not believe it is appropriate to individualise this standard given that the standards of service have been developed and agreed as a complete package of changes and represent a fair balance between Users desires to incentive Transco to consistently perform to a high standard while meeting Transco's requirement to have some scope to avoid liability payments by exceeding the performance levels.

In view of these circumstances Transco considers that this Modification Proposal provides suitable transitional arrangements for this service standard until Metering Separation. A view which is supported by Powergen in its representation which stated *"We believe that the short term continuance of this standard (transferred to the Transitional Arrangements) represents an efficient and common sense approach"*.

- **Proposed Implementation Date**

BGT and SSE expressed the view that should Ofgem make a determination to implement this Modification Proposal it should be linked to the implementation date of Modification Proposal 0565 ie. 1 October 2003. SSE stated *" We believe it would be inappropriate to allow these provisions to simply fall away as would otherwise be the case"*. BGT stated *"It is reasonable and appropriate to apply an implementation date of 1st October 2003"*. In support of its view BGT referred to Ofegems comments in that the absence of incentives does not preclude Transco from observing its Licence obligations, and stated *"BGT is not aware of the existence of an incentive mechanism within Transco's Licence that relates to Meter Asset Update standards"*. *"BGT's opinion is that in order to ensure Transco's level of service is*

properly incentivised a prompt direction from Ofgem (with an immediate implementation date if accepted) is necessary to mitigate the duration of the break in Transco's incentives".

Transco Response: Transco agrees that it would be appropriate to have a retrospective implementation date of 1 October 2003 for this Modification Proposal should Ofgem so determine. However, Transco shares the view of BGT that a prompt Ofgem direction would be preferable in these circumstances. Transco would like to draw Ofgem's attention to its obligation to make liability payments, and in the event Ofgem opt for a retrospective implementation date, the gap between the decision and implementation is minimised.

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

Implementation of this Modification Proposal is not required to enable Transco to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

This proposal is not required to facilitate any such change.

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

Implementation would not require any changes to systems and processes. Only if the implementation date did not coincide with the implementation date of Modification Proposal 0565 would the payment system need to be suppressed temporarily.

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

Transco proposes that this Modification Proposal be implemented as soon as possible following Ofgem's determination.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of this 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

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

19. Text

The following shall be added as a new paragraph 8.10.3 to Part II of the Transition Document:-

“8.10.3 M2.7 From 1 October 2003 until the Metering Separation Date, the following shall apply:-

- (1) Where as a result of any Meter Installation Works undertaken (pursuant to Section M2.2.2 or otherwise) by Transco in relation to an applicable Supply Meter Point, the relevant Meter Information recorded in the Supply Point Register ceases to be accurate, Transco will after completing such works:
 - (i) amend the Supply Point Register so as to record the change in relevant Meter Information required as a result of such works, and
 - (ii) provide to the Registered User details of the amendment made pursuant to paragraph (i).
- (2) For the purposes of this paragraph 8.10.3:
 - (a) an “**applicable**” Supply Meter Point is a Supply Meter Point, other than an NTS Supply Meter Point or Supply Meter Point comprised in a VLDMC Supply Meter Point Component, in relation to which Transco provides (in accordance with Section M2.2) the Supply Meter Installation;
 - (b) references to a Supply Meter Point include a New Supply Meter Point, and accordingly references to a change in relevant Meter Information includes the creation of initial relevant Meter Information;
 - (c) relevant Meter Information is such Meter Information as is specified for the purposes of Section M2.7 in the UK Link Manual;
 - (d) in relation to any calendar month and any User, a “**relevant**” Supply Meter Point is an applicable Supply Meter Point of which the User is Registered User and in relation to which the Meter Installation Works referred to in paragraph (1) were completed in that month,
 - (e) a relevant Supply Meter Point will not be treated as one in relation to which Transco did not comply with paragraph (1) where Transco was unable to comply with paragraph (1) by reason of Force Majeure;

- (f) in relation to any relevant Supply Meter Point, any period within which Transco is to comply with paragraph (1) runs from the Business Day after the relevant Meter Installation Works (therein referred to) were completed,
- (3) Paragraphs (4) and (5) shall apply separately in relation to relevant Supply Meter Points whose Annual Quantities exceed, and do not exceed, 293,000 kWh (10,000 therms).
- (4) Transco will comply with paragraph (1) within 5 Business Days in respect of at least 95% of relevant Supply Meter Points in relation to each User, in relation to each calendar month.
- (5) If, in relation to any calendar month and any User, Transco does not comply with the requirement in paragraph (4), Transco will pay to the User an amount calculated as:

$$((0.95 * M) - N) * Q$$

where for the relevant month and the relevant User:

M is the number of relevant Supply Meter Points;

N is the number of relevant Supply Meter Points in respect of which Transco did not comply with paragraph (4);

- Q is the relevant percentage of £10 in relation to relevant Supply Meter Points whose Annual Quantities exceed 293,000 kWh (10,000 therms), and of £2 in relation to relevant Supply Meter Points whose Annual Quantities do not exceed 293,000 kWh (10,000 therms).
- (6) If, in relation to a Supply Meter Point which is a relevant Supply Meter Point in any calendar month and of which the User continues to be the Registered User until the end of such 20 Business Day period, Transco does not comply with paragraph (1) within 20 Business Days, Transco will pay to the User the relevant percentage of £30 in relation to relevant Supply Meter Points whose Annual Quantities exceed 293,000 kWh (10,000 therms), and of £5 in relation to relevant Supply Meter Points whose Annual Quantities do not exceed 293,000 kWh (10,000 therms).
 - (7) For the purposes of Section V13, the rules in paragraph (5) and (6) are Compensation Rules within Compensation Group L and in relation thereto the 'payment month' is the second month following that in which the Meter Installation Works were completed.

- (8) Where in any month the aggregate amount payable by Transco under this paragraph 8.10.3 would exceed the relevant amount provided in paragraph (5), the amounts payable to Users in respect of that month shall be reduced pro rata.
- (9) The provisions of Sections G4.9.1 and 4.11 (in each case after the application of paragraphs (5) and (6)) apply for the purposes of this paragraph 8.10.3, which is subject to those provisions.”

Signed for and on behalf of Transco.

Signature:

Sara A Higgins
Head of Asset (GT Metering)

Support Services

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0648**, version **1.0** dated **06/10/2003**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

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

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") 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 Authority 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 paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriateprovided that if the Authority does not so approve the Agreement then Clause 3 shall apply.
2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.