

Draft Modification Report
Read Replacement functionality for the last read received by the GT from the Incumbent Shipper
Modification Reference Number 0662
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

To offer a meter read replacement functionality within UK Link Sites & Meters.

The replacement functionality would be limited to the last read received by the Gas Transporter for the incumbent Shipper.

2. Transco's Opinion

It is Transco's opinion that this Modification Proposal should be implemented.

The Network Code Principal Document Section E and the associated Suppression Guidelines details conditions whereby Transco is required to suppress a Non-Daily Metered (NDM) reconciliation charge. Where suppression occurs, frequently as a consequence of poor quality meter readings supplied by Users, this is termed a User Suppressed Reconciliation Value (USRV). This is commonly known as a reconciliation charge 'filter failure'. The Suppression Guidelines establish timescales whereby Users are required to resolve USRVs.

To improve the USRV regime, Transco raised Modification Proposal 0637 *'Introduction of a financial incentive performance regime for the resolution of User Suppressed Reconciliation Values (USRVs)'* which seeks to apply incentives on Users to prompt timely resolution. The Proposal is awaiting direction from Ofgem.

BP Gas Marketing subsequent to this proposal raised a further Modification Proposal 0644 *'Read Replacement functionality for USRVs'*. This sought to facilitate earlier USRV resolution by Users by introducing a meter reading replacement mechanism. For certain types of USRVs Users currently have to wait until a subsequent reading has loaded to Transco's Sites & Meters database prior to securing resolution of the USRV. BP's proposal claimed that the current procedure did not allow the User to resolve USRVs as quickly as having the ability to replace the "problem" meter read on Transco's Sites & Meters database.

Following discussion within the Supply Point and Billing Workstream, BP took the decision to withdraw Modification Proposal 0644 and replace this with a new Proposal, 0662 *'Read Replacement functionality for the last read received by the GT from the Incumbent Shipper'*. This is similar to its predecessor with the exception of removing the requirement for the read being replaced to have resulted in suppression of a charge.

There is general acknowledgment that the principle of a 'proactive' read replacement mechanism could be advantageous and would permit quicker resolution of recent suppressions. Transco's principal concern, however, is whether such functionality would be utilised by Users. Transco's analysis has indicated that the implementation of replacement read functionality may be of limited use to Users with respect to USRV resolution and in fact many 'filter failures' could be readily addressed without this. This view has, however, been challenged by the proposer which states that in a number of situations, Users could more efficiently resolve such failures by replacing the read causing the USRV. It is also claimed that the incumbent User's ability to be able to replace an erroneous read held by the Gas Transporter would avoid problems caused by such reads being held in abeyance within Transco's UK-Link system.

It should be noted that the mechanism would only assist in the resolution of the latest 'filter failure' for any given Supply Meter Point and would not therefore give any significant direct assistance in the resolution of 'old' items or in the reduction of the present backlog of USRVs.

While Transco maintains its concerns that there is a risk of 'low take up' by Users of a read replacement mechanism, Transco's priority is to achieve prompt USRV resolution by Users and the adoption of read replacement functionality is not inconsistent with this. Another benefit is that there would be a better audit trail on Transco's Sites & Meters database. As part of the consultation process for this Modification Proposal, Transco believes it would assist Ofgem in making its direction if respondents provided an indication as to whether they were likely to utilise the facility or otherwise.

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

Implementation of this Modification Proposal provides a mechanism by which Users are able to replace Meter Readings previously submitted to Transco. The measure provides flexibility for Users in resolving promptly User Suppressed Reconciliation Values (USRVs) and furthers Transco's GT Licence 'code relevant objective' to facilitate the efficient and economic operation of its pipe-line 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:

Costs would be incurred with respect to implementing this Modification 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 propose any additional cost recovery.

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

Implementation of this Modification Proposal would not increase the level of Transco's contractual risk.

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

Changes to Transco's UK-Link system would be required. Transco is not aware of the extent of changes to Users systems.

7. The implications of implementing the Modification Proposal for Users

Users wishing to take advantage of a read replacement facility would need to develop appropriate systems functionality. The impact on Users not wishing to utilise the service is currently unclear.

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 a mechanism by which Users are able to replace the last read submitted by them to Transco.
- Facilitates prompt and timely resolution of suppressed NDM Reconciliation Invoice Values by Users.
- Provides an improved audit trail.

Disadvantages.

- There is a risk of under utilisation of the facility by Users which would mean that the monies invested in development of 'read replacement' functionality would not be justified.

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

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 Modification Proposal is not required to facilitate any such change.

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

Transco would be required to implement new functionality to its UK-Link system to enable read replacement.

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

This Modification Proposal could be implemented with effect from the end of the fourth quarter of 2004.

16. Recommendation concerning the implementation of the Modification Proposal

Transco believes that this Modification Proposal should be implemented.

17. Text

Draft Legal Text

MOD 662

Section M

Revise Heading to read:

"3.7 More frequent readings and revised readings"

Add new paragraph 3.7.3 to read:

"3.7.3 In respect of the most recent Valid Meter Reading provided to Transco in accordance with paragraph 3.4 or 3.5 a User may at any time secure and provide to Transco a revised value of such Valid Meter Reading ("Revised Meter Reading").

Add new paragraph 3.7.4 to read:

" 3.7.4 Transco will only accept such Revised Meter Reading where the Meter Read Date of such Revised Meter Reading is the same as or later than the Meter Read Date of the most recent Valid Meter Reading recorded by Transco."

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:

Peter Rayson
Commercial Manager - Customer

Support Services

Date: