Modification Report
Acceptance by the Gas Transporter of Reads obtained remotely as Valid Reads
Modification Reference Number 0683

Version 2.0

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

To allow reads obtained via remote reading equipment to be considered valid reads by the Gas Transporter.

2. Transco's Opinion

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

The proposer, BP Gas Marketing, identifies that the use of, and access to, cost effective 'remote reading' methods is permitting gas market participants access to meter reading information from an increasing number of customers. BP Gas states that these reads are of high quality and the requirement to procure access to a customer's premises to facilitate collection of meter readings is removed. Additionally, the human errors associated with physical reading of the meters can be reduced or removed entirely. Transco agrees with this view.

BP Gas claims that the introduction of the Climate Change Levy (CCL) and Metering Assets Managers (MAMs) have introduced the benefits of carrying out remote meter reading via Energy Management Systems (EMS) and Automated Meter Reading (AMR) solutions.

Transco concurs with the view that the positive use of such methods supports continuing innovation in the metering market, to the end-consumer's benefit.

Of note, BP Gas advises that the requirement to 'inspect' metering equipment is a separate obligation, established within the Suppliers Licence, from the provisions within Network Code for Users to obtain readings and each obligation is separately facilitated by appropriate UK-Link functionality. Transco acknowledges that this Modification Proposal introduces no changes in respect of inspection of 'on site' metering equipment.

The proposer notes that a precedent exists for Transco to accept 'remote reads' as valid reads within the Daily Metered (DM) market. In considering the unbundling of such a market, BP Gas states that no concerns were raised in relation to third party provision of data nor any concerning inspection of the meter installation.

It is important to note that Transco has raised Modification Proposal *0693 'Revision of the NDM 'More Frequent Reading' Provisions'* which is intended to be complementary to this Modification Proposal. Transco has articulated its concerns within the Supply Point & Billing Workstream that the capacity of its UK-Link system and relevant Network Code processes should be safeguarded given the possibility of

increased read submission volumes arising. Transco therefore believes that Modification Proposal 0683 may only be implemented in tandem with Modification Proposal 0693.

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

The purpose of this Modification Proposal is to facilitate an increase in the volume and accuracy of meter reads provided to the Gas Transporter. Implementation provides a facility whereby the number of Meter Readings not provided to Transco due to problems with meter readers gaining access to customers' properties to obtain a reading may be reduced.

The above measures are consistent with Transco's GT Licence 'code relevant objective' of facilitating the efficient and economic operation of the licensee of its pipeline system.

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

a) implications for the operation of the System:

No implications for the operation of the system have been identified.

b) development and capital cost and operating cost implications:

It is anticipated that low level costs would be incurred as a consequence of 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

Whilst not essential for Transco to meet its Network Code obligations, a change to Transco's UK-Link system have been identified by Users as being desirable. It is anticipated that this would permit Users to 'flag' remotely procured reads on Transco's Sites & Meters database. Transco is not presently aware of the extent of this change to Users' systems.

7. The implications of implementing the Modification Proposal for Users

Implementation of this Modification Proposal would enable Users to provide Meter Readings to Transco which have been 'remotely' procured.

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:

- Enables Meter Readings procured by 'remote read' equipment to be provided to Transco and used for Network Code purposes.
- Facilitates the employment by Users of innovative meter reading solutions.

Disadvantages:

- No disadvantages have been identified.

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

Eight representations were received with respect to this Modification Proposal, all of which were supportive of its implementation. Representations were received from EdF Energy, ScottishPower, Total Gas and Power, e.on UK, Scottish and Southern Energy, BP Gas, British Gas and Npower.

The majority of representations recognised the positive impact the use of automated meter reading would have on the accuracy of such. EdF Energy acknowledged that "*AMRs are an accurate way of taking actual reads*" and ScottishPower agreed that the Modification Proposal "*would assist in obtaining a higher volume and accuracy of meter reads*" with e.on UK adding "*there is no reason to presume that AMR reads will be in any way less accurate that customer supplied readings*". Npower added that the "*provision of remotely taken reads....will help to enhance the quality of reads held by Transco.*" Transco concurs with the view of the above respondents.

In its representation, British Gas recognised that the "*increase in volumes of reads submitted...*" would also have "*... benefits to the accuracy and timing of RbD reconciliation.*" Similarly, Npower commented that "*I&C shippers will be able to increase the frequency of meter reads, which will have*

benefits in the reconciliation of their transportation and energy charges" which it suggested "*...should reduce the tendency for large adjustments many months after the event.*" Transco concurs with the view of the above respondents.

EdF Energy acknowledged that "*the use of remote reading equipment is becoming more widely used. Therefore it is appropriate that the Network Code is amended to reflect this.*" In light of this, British Gas expressed that it shared "*Transco's concern as to the impact of high volumes of AMR reads being submitted upon other UK-Link batch processes.*" adding that it "*...would encourage the application of some process to monitor levels...to accommodate increased volumes and thereby remove the limits currently necessary as prescribed in the Modification Proposal.*" In response, Transco intends to closely monitor the level of AMRs received with periodic reporting to relevant operational forums. Transco would further comment that Modification Proposal 0683 does not prescribe any limits in respect of the receipt of meter readings (though Transco acknowledges there are pre-existing rules within Network Code). Amendment of these are the subject of a separate Modification Proposal (0693).

ScottishPower identified that implementation of the Proposal would "*reduce the reliance on the requirement to obtain access to the premises of a customer...*". In addition, EdF Energy viewed that "*Transco should accept ...as another source of readings...*" as it understood the "*...importance of obtaining an actual opening meter reading for the CoS process...to ensure we commence the billing of a customer on an accurate read.*" Npower also noted that "*an increase in consumption history should improve the quality of the estimated opening reads...*" Transco concurs with the view of the above respondents.

Two respondents suggested that there may be benefits to the calculation of Annual Quantities, EdF commented "*This change will ...enable Transco to calculate more accurate consumption for the AQ process.*" and British Gas advocated a "*benefit to including reads obtained from AMR devices in accurate ...AQ calculations.*" Transco's response is that whilst it recognises that reads from an automated source are less susceptible to transposition errors, an increased frequency of reads may not necessarily result in a more accurate AQ. Within the AQ review process, two delimiting reads from dates the requisite length of time apart are utilised in the calculation, although a greater read history would afford greater choice in the selection of those two reads.

British Gas commented that "*the shipper obligation to inspect the meter at least once every two years will need to be separately managed and the appropriate flow provided via UK Link.*" Transco concurs with this view and would add that the date of an appropriate meter inspection is notified to the GT via the N44 record within the ".MID" file.

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 ModificationProposal

Whilst this Modification Proposal may be implemented with immediate effect, Transco has been asked to implement functionality to its UK-Link system to enable 'remotely' procured reads to be identified as such on its Sites & Meters database. The temporary absence of a 'flag' facility does not, however, prevent implementation of this Modification Proposal.

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

This Modification Proposal could be implemented with immediate effect. Transco is not currently able to provide an indicative implementation date for the supporting systems functionality described above.

16. Recommendation concerning the implementation of the Modification Proposal

Transco believes that this Modification Proposal should be implemented.

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

Legal Text

Section M

Paragraph 1.4

Add paragraph 1.4.3 (h) to read:

"1.4.3 (h) "**Remote Read**" is a Meter Reading provided by the User in respect of a Supply Meter obtained by means of a Remote Meter Reading Equipment."

Add paragraph 1.4.3 (i) to read:

"1.4.3 (i) "**Remote Meter Reading Equipment** " is equipment which enables Meter Readings to obtained remotely at set intervals and which comprises a device for capturing from the Supply Meter, and/or (where installed) a convertor, data which constitutes or permits a derivation of a Meter Reading and suitable equipment as shall be required for transmitting such data."

Paragraph 3.1.4

Add paragraph 3.1.4 (g) to read:

"(g) the Meter reading was provided by means of a Remote Read"

Signed for and on behalf of Transco.

Signature:

Peter Rayson
Commercial Manager - Customer 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 **0683**, version **2.0** dated **21/07/2004**) 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 **2.0**.

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 appropriate

   provided 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.