Modification Report
Acceptance by Gas Transporter of valid estimated domestic prepayment reads at change of Supplier, based on existing previous prepayment meter reads
Modification Reference Number 0689

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

To allow an estimated opening meter read calculated using meter reads provided via domestic prepayment gas card during the period immediately before the change of Supplier event to be considered a valid read by the Gas Transporter.

2. Transco's Opinion

Transco is supportive of innovative solutions which would facilitate adherence to relevant Network Code provisions, in this case to the Opening Read requirement. It is therefore Transco's opinion that this Modification Proposal should be implemented.

Currently, in respect of Non-Daily Metered (NDM) Supply Points, upon Supply Point Confirmation, the Proposing User is required to submit an 'Opening Meter Reading' to Transco no later than 16:00 hours on the seventh Business Day after the Supply Point Registration Date. This reading must be obtained for a Meter Read Date within the required date range which is presently a period of five Business Days commencing two Business Days before the Supply Point Registration Date. Subsequent to the implementation of Modification 0602 '*Amendment to the required date range for opening meter reads*', (expected quarter 4, 2004), this date range will be extended to the period of eleven Business Days commencing five Business Days prior to the Supply Point Registration Date.

At present, a Meter Reading obtained from a NDM Supply Meter must be procured via a Meter Reader or via the Customer and be a reading of the meter index. Following implementation of Modification 0690 '*Acceptance by the Gas Transporter of domestic prepayment meter reads obtained remotely at change of Supplier and within the meter read window as Valid Reads*' on 24 August 2004, this list was extended to allow the use of readings obtained from gas cards used to operate 'domestic' prepayment meters. Such reads are passed electronically to an infrastructure service provider who in turn, forwards these to the appropriate supplier/shipper for onward transmission to Transco.

Should a User fail to provide an Opening Meter Reading to Transco by the appropriate deadline, Transco will generate and provide a notional meter reading.

This Modification Proposal advocates an extension of the current permissible source for Opening Meter Readings to include notional reads extrapolated from readings gathered from gas cards used to operate 'domestic' prepayment meters. The proposer has confirmed that the extrapolation would utilise

a minimum of two and a maximum of five 'gas card reads' taken within the six month period prior to the notional read date. The extrapolation methodology would also be subject to a seasonal adjustment mechanism. Following discussion within the Supply Point and Billing Workstream, should the Proposal be implemented, it was identified that the extrapolation methodology (including the seasonal adjustment mechanism) should be documented within the 'Network Code Validation Rules' (pursuant to section M1.5.3 of Network Code).

As with Opening Meter Readings obtained from gas cards for a date within the required date range (as introduced by Modification 0690), the notional reads advocated within this Proposal would be forwarded to the appropriate supplier/shipper for onward transmission to Transco as a User provided Opening Meter Reading.

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

The procurement of notional Meter Readings extrapolated from pre-payment meter readings for supplier transfer purposes represents an innovative measure within the gas market. Where notional readings are extrapolated using a comprehensive data set taken from a period close to the extrapolation date, Transco acknowledges that this is likely to produce a notional read which is close to the actual meter reading as at the notional read date.

The provision of accurate notional Meter Readings to Transco is of benefit to the customer transfer process and facilitates User compliance with Section M3.8.2 of Network Code. This Modification Proposal is therefore consistent with Transco's GT Licence 'code relevant objective' of facilitating the securing of effective competition between relevant shippers and relevant suppliers.

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:

Transco would incur costs in amending its UK-Link system. The cost is currently anticipated to be £10,000 +/- 50%.

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

Transco would need to make limited changes to its UK-Link system to enable notional reads procured in the manner described within this Modification Proposal to be 'flagged' as such on Transco's Sites & Meters database. Users would also need to make changes to their systems although the extent of these is not known.

7. The implications of implementing the Modification Proposal for Users

Users wishing to take advantage of the measures permitted by this Modification Proposal would need to make changes to relevant systems and processes. The proposed measure would facilitate compliance by Users with section M3.8.2 of the Network Code.

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:

- Promotes the utilisation of an innovative and cost saving measure for generating notional Opening Meter Readings.
- Enables Transco to receive and record notional Opening Meter Readings procured by Users which are extrapolated from prepayment meter readings.
- Increases the likelihood of meter readings being issued by Users pursuant to Section M3.8.2 of Network Code and thereby potentially reduces the need for reliance on an estimated 'transfer' Meter Reading being calculated and provided by Transco.
- Increases the likelihood of Opening Meter Readings being provided by Users and potentially reduces the requirement for the Agreed Opening Meter Reading process to be invoked.

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)

Seven representations have been received by Transco with respect to this Modification Proposal. All respondents expressed support for implementation.

EDF Energy reflected that "*a considerable amount of work has been undertaken by the Quantum Business Forum and N-Power in particular to provide a reliable and accurate estimated read algorithm*" further commenting that "*work carried out...has shown that this estimated read is more accurate than the Transco estimate*". EdF Energy suggested that "*this is because Siemens have a more reliable read history than Transco*". RWE NPower also identified that "*analysis of the estimation routines suggests that they are at least as accurate as any routines that Transco employ*" recognising that prepayment meter reads are *"likely to be far more frequent than ordinary domestic customer meter reads*". BGT noted that "*this would increase the number of meter readings accepted as valid and in turn will improve accuracy of meter reads estimates provided to Transco*". ScottishPower also acknowledged that "*these readings would not have been previously sent to Transco and therefore would not be used within the Transco estimation process*" adding that "*the subsequent transfer of meter readings to Transco by the new Supplier will assist in the future estimation of meter readings and the calculation of Annual Quantity values*". Transco concurs with the views of the above respondents.

In recognition of discussions concerning this Proposal, EdF stated that "*the formula for the algorithm has been discussed at length at the Supply Point and Billing Workstream so that the majority of representatives are now in agreement with its construction*". RWE NPower also commented "*we concur with the views of the Supply Point and Billing Workstream that the extrapolation methodology should be documented within the "Network Code Validation Rules" as this provides clarity for Users*". Transco concurs with the views of the above respondents and would add that details of proposed changes to the Network Code Validation Rules were appended to the Draft Modification Report circulated for representations.

ScottishPower suggested that "*this innovative proposal will benefit the customer transfer precess*", BGT adding that it "*reduces the dependence upon change of supplier estimated readings provided by Transco*" whilst Powergen noted that "*it may benefit the customer transfer process and facilitate User compliance with Section M3.8.2 of the Network Code*". NPower suggested that "*although the customer is unlikely to be aware..they will...benefit from the reduction in the occurrence of meter read disputes*". Transco concurs with the views of the above respondents and supports implementation of any measures which facilitate User compliance with Section M3.8.2 of the Network Code.

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

Implementation is not required to facilitate such compliance.

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

Users have indicated a wish for notional readings extrapolated from gas card readings to be 'flagged' as such on Transco's Sites & Meters database. To meet this aspiration, systems development works would be required. However, this Modification Proposal could be implemented immediately provided Users were aware that such reads would not be identifiable as such on Transco systems prior to the systems enhancement.

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

Transco has been asked by the Supply Point & Billing Workstream to amend its UK-Link system. This would enable prepayment reads procured in the manner described within this Modification Proposal to be 'flagged' as such on Transco's Sites & Meters database. Notwithstanding the system enhancement, Transco proposes that this Modification Proposal be implemented.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal 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

Draft Legal Text

Section M

Paragraph 1.4

Amend paragraph 1.4.3(b) to read:

"(b) a Meter Read is the obtaining (by appropriate means, including, in the case of a Calculated Gas Card Reading, by calculation) of a Meter Reading and in the case of a Non Daily Read Supply Meter the further details required."

Amend paragraph 1.4.3(f) to read:

"(f) **"Gas Card Reading"** is a Meter Reading provided by the User in respect of a Supply Meter obtained by means of a Gas Card;"

Add new paragraph 1.4.3(h) to read:

"(h) **"Calculated Gas Card Reading"** is a Meter Reading which has been derived by the use of not less than two Gas Card Readings which have been provided in compliance with the estimation methodology contained in the Network Code Validation Rules."

Paragraph 3.1.4

Amend paragraph 3.1.4(f) to read:

"(f) in the case of an Opening Meter Reading obtained and provided in accordance with M3.8.2, the Meter Reading ~~has been obtained by~~ is a Gas Card Reading or a Calculated Gas Card Reading.."

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 **0689**, version **1.0** dated **12/10/2004**) 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 **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 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.