# Modification Report
# Revision of the NDM 'More Frequent Reading' Provisions
# Modification Reference Number 0693

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

Modification of the Network Code and UK-Link Manual IS Service Definition is required to amend relevant provisions as follows:

- To change Principal Document Section M3.7.2 'More frequent readings' to reflect that Users are required to adhere to the following rules concerning the submission of 'more frequent' Non-Daily Metered ('NDM') 'cyclic' Meter Readings:
  - in the case of a Monthly Read Meter, no more than one meter reading may be submitted within a one calender week period.
  - in the case of an Annual Read Meter, no more than one meter reading may be submitted within a two calender week period.
  - in the case of an Annual Read Meter, contained within a Smaller Supply Point, no more than one meter reading may be submitted within a nine calender week period.

  In circumstances where the above provisions are breached (based on read date), Transco would reject the latest Meter Reading.

- To update the IS Service Definition of the UK-Link Manual to reflect a peak daily transaction rate for the receipt of Meter Reads by Transco of 400,000 and to remove the statement 'UK-Link has been developed to either process 44,000 meter reads or generate 66,000 Opening Read Requests'.

## 2. Transco's Opinion

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

BP Gas Marketing has raised Modification Proposal 0683 *'Acceptance by the Gas Transported of Reads obtained remotely as Valid Reads'*. This seeks to require Transco to accept Meter Readings procured by 'remote reading equipment' as being Valid Meter Readings.

Transco supports that initiative (Modification Proposal 0683) which is consistent with the development of innovative meter reading solutions within the gas market. Transco believes that given the likelihood of implementation of Modification Proposal 0683, it is also timely to revisit the provisions of M3.7 and ensure these more accurately reflect the requirements of Transco and Users.

Transco's opinion is that it is necessary to ensure that Transco is not furnished with undue quantities of NDM Meter Readings given the need to protect:

1. the peak daily capacity of Transco's UK-Link system in respect of the receipt of User provided reads; and
2. the integrity of 'downstream' Network Code activities and in particular Individual NDM Reconciliation.

Transco is concerned that the provisions of Section M3.7 'More frequent readings' do not adequately establish the rights of Transco and Users regarding the submission of 'cyclic' Meter Readings. Specifically, the Network Code states that Transco "will not be required to accept" more frequent 'cyclic' meter readings should they be received by Transco more frequently than the established read periods. At present, Transco does not reject reads received more frequently than than the intervals described within Section M3.7 as the aggregate number of such reads consistently falls short of UK-Link capacity. However, with the introduction of low cost, innovative meter reading methods there is the potential for read volumes to increase significantly.

Transco's opinion is that measures are therefore necessary to improve the 'More frequent reading' provisions contained within the Network Code. In association with this, Transco also proposes to introduce appropriate UK-Link systems functionality.

Transco has identified two specific proposals for change.

1. to increase significantly the frequency at which Meter Readings may be provided to Transco. This would be commensurate with the peak daily capacity of its UK-Link system. This provides greater flexibility for Users on how frequently they may wish to furnish Transco with read data.
2. to clarify that Transco would reject reads provided to it in excess of the established constraints.

The advantages of the above solution is that Users would have absolute clarity with regard to the circumstances under which Transco would not accept 'cyclic' Meter Readings, but would have the opportunity to increase the frequency of Meter Readings they provide to Transco.

As a consequence of implementation of this Modification Proposal, it is also proposed that the IS Service Definition within the UK-Link Manual be updated to reflect the projected peak day read capacity of Transco's UK-Link system.

Of principal concern to Transco is the longer term unpredictability of how many Supply Meter Points may ultimately have 'remote read' equipment installed. While Transco believes that the regime proposed by Modification Proposal 0683 and this Proposal is sustainable, if significantly large numbers of automated meter reading equipment were installed, particularly within the Larger Supply Point market and read volume increased to unsustainable levels, Transco would seek a further review of the provisions within Section M3.7 in conjunction with consideration of the capacity of its UK-Link system.

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

This Modification Proposal is complementary to Modification Proposal 0683 raised by BP Gas Marketing on 8 April 2004. Its purpose is to further develop the provisions of Section M3.7 'More frequent readings' to establish clearly the circumstances in which Transco would accept more frequent NDM 'cyclic' Meter Readings from Users than those quantities established within Sections M3.4 and M3.5. Changes are also proposed to the IS Service Definition within the UK-Link Manual to ensure that the current capacity of Transco's UK-Link system with respect to the receipt of Meter Readings from Users is reflected. These measures are consistent with Transco's GT Licence 'code relevant objective' of facilitating the efficient and economic operation by the licensee 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 implications for the operation of the system have been identified.

**b) development and capital cost and operating cost implications:**

It is anticipated that medium 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

Changes to Transco's UK-Link system are required to support implementation of the rejection functionality aspect of this Modification Proposal. Transco is not aware of the extent of changes to Users systems.

## 7. The implications of implementing the Modification Proposal for Users

Users would need to ensure adherence to the provisions described within this Modification Proposal. Failure to do so could result in read submission rejections in the event that a User exceeded the minimum read submission frequencies.

## 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:

- Significantly increases the maximum frequency at which 'cyclic' Meter Readings may be provided to Transco
- Creates clear rules governing the circumstances under which Transco would accept 'cyclic' meter readings.

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)

Six representations were received with respect to this Modification Proposal, five of which were supportive of its implementation and one which was not supportive. Supportive representations were received from British Gas Trading, EdF Energy, Scottish and Southern Energy, BP Gas, and Npower. A non-supportive representation was received from Total Gas and Power.

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.*" Similarly, EdF Energy commented that the Proposal "*supports initiatives which enable us to submit more actual meter reads*" and observed that "*it will also provide clarity*

*on how often suppliers can submit them without rejections*". British Gas stated that it would "*welcome the increase in frequency at which Meter Readings may be provided*" and recognised that currently "*...Transco are "not required to accept" readings which are outside of the current frequency tolerances, but do not choose to reject such readings.*" British Gas expressed agreement that the Proposal "*will provide clarity as to the circumstances in which a read will be rejected, in terms of frequency.*" Transco concurs with the view of the above respondents.

In its representation, BP Gas stated that it was supporting implementation of the Proposal "*recognising that it provides a level of comfort for Transco whilst we seek to understand the likely volumes*". EdF suggested that "*there may be some suppliers...who may wish to submit reads more often*" and added "*we are happy for this modification to go ahead ...on the understanding that at a later date this may need revisiting as 'remote reading' becomes common practise. When this occurs the capacity of UK Link would need to be increased".* British Gas expressed similar views commenting "*...there would be an advantage in Transco undertaking a process of monitoring the level of reads being submitted...to consider...revising the set limitations on their processing capacity*" adding that "*...provision of valid reads by shippers should not be restricted by processing capacity constraints...*". Transco is in agreement that further analysis would be required with respect to the impact on read volumes in the event that Modification Proposal 0683 were implemented. In such circumstances Transco has stated that it intends to closely monitor the levels of Automated Meter Readings received with periodic reporting to relevant operational forums. Such levels may necessitate a further review of the 'More Frequent Reading' provisions wthin Network Code and/or associated systems.

Npower stated that it was "*...unclear of the changes required to the UK Link Manual*" and questioned how shippers will "*...be notified of the rejection of reads in circumstances of the read frequency being breached?*". In addition Npower viewed that "*...the proposal does not identify what would happen in instances where the daily limit of 400,000 is reached.*" In response Transco would clarify that the system solution to be developed (should the Proposal be implemented) would incorporate appropriate validation (in terms of frequency) and rejection routines. Such rejections would be issued via UK Link Communication and would be detailed within the appropriate file format documentation. In the event that reads were received that exceeded total UK-Link processing capability on a day, they would not be rejected on this basis. Batch files received that exceeded this capability would be processed on the next day on which capacity was available. Transco would point out that Network Code Section M3.3.4 requires that Users provide Valid Meter Readings to Transco in a timely manner (proximate to the Meter Read Date). The requirement is that 50% are provided by the fifth business day after the Meter Read Date and 100% are provided by the tenth business day after the Meter Read Date.

Total Gas and Power expressed "*concerns that the rules...may restrict resolution of meter read errors*" adding that "*it would be necessary to strengthen our internal procedures in order that we submit only one read within the time limits.*" Total Gas and Power further identified that although a User would "*never knowingly submit inaccurate reads...it is inevitable that inaccurate reads will be submitted. As such, given that additional meter reads*

*will have to be submitted to resolve these errors, the rules will limit submission and hence resolution.*" Total Gas and Power viewed that "*the rules are too rigid in order to facilitate a resolution ...where it will be beneficial to submit additional meter reads.*" and stated that "*as such, TGP do not support implementation*." In response Transco would identify that Modification Proposal 0662 *'Read Replacement functionality for the last read received by the GT from the Incumbent Shipper'* is currently awaiting a decision from Ofgem. This Proposal would allow a User to replace a read (provided no subsequent Valid Meter Read had 'loaded' to UK-Link) and such replacement reads would be exempt from the 'More Frequent Reading' provisions detailed within this Proposal. Transco would also comment that the User is responsible for the validation of meter reads prior to submission to Transco and in addition the charges generated by such (where Individual NDM Reconciliation applies) following submission are subject to the Network Code Reconciliation Suppression Guidelines. Transco believes that sufficient safeguards are in place to minimise the financial risk of reconciliation values generated by 'erroneous reads'. Large potential reconciliations would result in User Suppressed Reconcilaition Values, which could be addressed by the submision of a later correct read.

British Gas also identified that the "*potential impact upon the AQ Review Process...*" where a User "*may be unable to promptly provide a revised read*" which would "*particularly be an issue for reads provided at specific times of the year i.e. in the months prior to the yearly AQ calculation...*". British Gas recognised that "*replacement read functionality (which may be provided by Modification Proposal 0662 - if accepted) would accomodate this requirement.*" Transco concurs with the views of the above respondent.

**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**

Transco would be required to implement new functionality to its UK-Link system to enable read rejection in the circumstances described within this Modification Proposal.

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

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 G**

**Paragraph 2.3.2 (f) (ii)**

**Delete and replace with:**

**"**2.3.2(f)(ii) where the Annual Quantity of the NDM Supply Point Component is less than 293,000 kWh (*10,000 therms*) but in excess of 73,200 kWh (*2,500 therms*), whether the relevant Supply Meters are proposed to be a Monthly Read Meter.**"**

**Section M**

**Paragraph 3.1.7**

Add new paragraph (f) to read:

"(f) a "Larger Annual Read Meter" is an Annual Read Meter where it is installed at a Supply Meter Point comprised in a Supply Point Component whose Annual Quantity is greater than 73,200kWh (*2500 therms*);"

Add new paragraph (g) to read:

"(g) a "Smaller Annual Read Meter" is an Annual Read Meter where it is installed at a Supply Meter Point comprised in a Supply Point Component whose Annual Quantity is not greater than 73,200kWh (*2500 therms*);"

**Paragraph 3.7.2**

Delete paragraph 3.7.2 and replace with the following text:

"3.7.2 Where more than one Meter Reading (other than one required under paragraph 3.8 or paragraph 3.9) is received by Transco:

(a) in the case of a Monthly Read Meter, in any 7 Day period;

(b) in the case of a Larger Annual Read Meter, in any 14 Day period;

(c) in the case of a Smaller Annual Read Meter, in any 63 Day period;

Transco will in each case reject any such Meter Reading received in such period other than the first. "

**UK Link Manual**

**Service Definition**

**Appendix 1**

Delete the text:

"UK-Link has been developed to either process 44,000 meter reads or generate 66,000 Opening Read Requests"

and replace with :

"UK-Link is capable of receiving on a peak daily basis 400,000 meter reads."

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 **0693**, 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.