

Final Modification Report
Modification Reference Number 0042,
Provision Of Unbundled Meter Ownership & Installation

This Modification Report is made pursuant to Rule 8.12 of the Modification Rules and follows the format required under Rule 8.12.4.

1. The Modification Proposal:

To set up a development work group to examine options and establish sound principles to ensure that an Unbundled choice of Meter installation service and ownership is available from April 1997.

(The dates subsequently changed during the life of this Modification Proposal)

Areas to be considered include;

Siteworks - quotations, nominations and confirmations.

Recording of meter ownership.

Appropriate charging for Transportation.

Information flows.

2. Transco's opinion:

It is Transco's view that Modification 42 should now be closed and no further work undertaken.

It is now considered that Modification 42 is in the wrong context.

A consultation paper will be produced and presented by Ofgas to the Industry setting out the new context for meter unbundling.

Representations have been received from Shell Gas Direct, Mobil Gas Marketing, United Gas and Scottish Hydro-Electric supporting Transco's opinion and the views stated in this report.

This report defines the final decision established by the Modification 0042 Development Work Group.

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

Modification 42 would facilitate competitive meter installation and ownership.

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

a) **implications for the operation of the System and any BG Storage Facility:**

Not applicable since recommendation has been made to close the proposal.

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

Not applicable since recommendation has been made to close the 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:**

Not applicable since recommendation has been made to close the proposal.

d) **analysis of the consequences (if any) this proposal would have on price regulation:**

Not applicable since recommendation has been made to close the proposal.

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 would remain the provider of a bundled service.

6. **The development implications and other implications for computer systems of Transco and related computer systems of Relevant Shippers:**

As part of the impact analysis of Modification 42, a time extension was requested and granted by the Modification Panel to carry out a systems analysis.

It has been assessed that to implement system changes would cost Transco £13.5 - 17.3 Million over a 24 month period.

The above timescale and costs refer to changes to the existing system.

Shippers would also have to make the relevant revisions to their systems to facilitate UK Link changes.

7. **The implications of implementing the Modification Proposal for Relevant Shippers:**

The Shipper community have expressed their views and clarified the point that they are concerned regarding the timescales and costs associated with making system revisions.

There are likely to be administrative cost implications for all Shippers as unbundling progresses. Shippers electing to unbundle may incur greater costs. The increase in administration costs may be offset by a reduction in installation costs and a subsequent fall in operational costs.

8. **The implications of implementing the Modification Proposal for terminal operators, suppliers, producers and, any Non-Network Code Party:**

The industry will need to create a further framework between Shippers, Suppliers, End Users, Meter Providers, Installers and any other non-Network Code party to handle the unbundled service.

9. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each Relevant Shipper and Non-Network Code Party of implementing the Modification Proposal:**

Not applicable since recommendation has been made to close the proposal.

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

Not applicable since recommendation has been made to close the proposal.

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

Shippers expressed concerns over the timescale and costs associated with implementation due to other outstanding Business priorities.

Transco Response:

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

As required by the Gas Act and Licence requirements.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) of the statement; furnished by Transco under Standard Condition 3(1) of the Licence:

Not applicable since recommendation has been made to close the proposal.

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

UK Link would have to be modified to facilitate unbundling, as stated in the systems impact analysis report, phasing would take place of the different operational areas of the Business.

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

Not applicable since recommendation has been made to close the proposal.

16. Recommendation concerning the implementation of the Modification Proposal:

Transco and four Shipper representations that have been received, recommend that Modification 42 proposal should not be implemented.

17. Text provided pursuant to Rule 8.14:

No text is provided as Transco does not propose to implement this proposal.

Signed for and on behalf of Transco.

Signature:



John Lockett

Manager, Network Code

Date:

4.8.98

Director General of Gas Supply Response:

In accordance with Condition 7 (10) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference 0042, version 1.0 dated 4th August 1998) shall not be made as a Modification to the Network Code.

Signed for and on behalf of the Director General of Gas Supply.

Signature:

Kyran Hanks

Director of Transportation Regulation

Date:

Signature:

Process Manager - Network Code

Transco

Date:

ANNEX

Restrictive Trade Practices Act - Suspense Clause

For the purposes of the Restrictive Trade Practices Act 1976, this document forms part of the Agreement relating to the Network Code which has been exempted from the Act pursuant to the provisions of the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996. Additional information inserted into the document since the previous version constitutes a variation of the Agreement and as such, this document must contain the following suspense clause.

1. Suspense Clause

1.1. Any provision contained in this Agreement or in any agreement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:

- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply (the "Director") 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 Director 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 paragraph 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996.

provided that if the Director does not so approve the Agreement then Clause 1.2 shall apply.

1.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.