

**Final Modification Report**  
**Modification Reference Number 0034**  
**NDM to DM Conversion**

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

**Foreword**

This proposal differs from the one detailed in the Terms of Reference to reflect the requirements of the Workgroup whilst working within constraints identified by TransCo. The number of sites eligible for inclusion in the programme has been restricted to approximately 1300 by increasing the lower AQ limit from 5,860,000kWhpa (200,000tpa) to 11,720,000kWhpa (400,000tpa). To allow the workload to be spread evenly, the sites in the AQ band have been split into 3 tranches, each with a commencement date for conversion. The start of the programme has been slipped to 30 October 1996 for two reasons; first, to avoid coincidence with the introduction of Energy Balancing Phase II and, secondly, to follow the introduction of system functionality to obtain closing NDM readings for meters transferring to DM.

**1. Procedure and Timetable**

18th June	-	Pre-proposal meeting held with shippers
20th June	-	Modification Proposal & Workgroup Terms of Reference tabled at Modification Panel.
4th July	-	Workgroup Meeting #1
23th July	-	Workgroup Meeting #2
15th August	-	Workgroup Report & Draft Modification Report presented at Modification Panel.
21st August	-	Issue Draft Modification Report.
5th September	-	Representations close out
18th September	-	Final Modification Report to OFGAS.
	-	Implementation.

## **2. The Modification Proposal**

To allow firm Supply Points, below 58,600,000kWhpa (2,000,000tpa), to be confirmed as DM by a phased non-mandatory lowering of the NDM / DM threshold.

Shippers will be able to operate Supply Points as DM from the Threshold Reduction Date detailed in the following timetable:

	<b>Threshold Reduction Date</b>	<b>Threshold</b>
<b>Phase I</b>	30 October 1996	24,320,000kWhpa (830,000tpa)
<b>Phase II</b>	1 December 1996	15,820,000kWhpa (540,000tpa)
<b>Phase III</b>	1 January 1997	11,720,000kWhpa (400,000tpa)

Conversions to DM after 28 February 1997 will not be permitted.

Shippers will be able to choose which (if any) of their Supply Points convert to DM. There will be no provision to book the Minimum Converting Capacity at a Supply Point, nor will TransCo book exit capacity in respect of sites switching during Phase I, II or III. Eligible sites will be able to convert to DM at any time during the above periods, not just on the Threshold Reduction Date.

Supply Points below 58,600,000kWhpa, confirmed as DM, will not be permitted to revert back to NDM except where the incoming shipper presents evidence that the conversion of the Supply Point to DM was carried out by the outgoing shipper in bad faith in anticipation of the transfer of the Supply Point to another shipper.

### **Phase IV**

The NDM to DM conversion programme, defined in the Transition Document, Part II, section 2 and 3, is modified by changing the 1996 dates to 1997 dates.

**Note** -The Transition Document provides a process to achieve the "normal running", 2,196,00kWhpa (75,000tpa) Supply Point, 732,000kWhpa (25,000tpa) Meter Point, position described in the Principal Document. We propose that this "normal running" position is reviewed and we have established a Review Group (Review Proposal 0056) to consider this issue and the associated mandatory conversion programme.

### 3. Text provided pursuant to Rule 8.14

#### Transition Document, Part II, paragraphs 2 and 3

In Each of the following paragraphs, replace "1996" with "1997": 2.2.2, 2.2.3, 2.3.1(a), 2.3.4(ii), 2.4.5(b)(i) and (ii), and 3.4.2(i).

2.1.1 Replace "In Phases 1 and 2" with "Until 30th November 1997"

2.1.2 Insert at the beginning:

"Subject to paragraph 2.5"

2.2.3 Insert at the beginning:

"Subject to paragraph 2.5.5(a)"

2.3.1 In paragraph (a), replace "72" with "71"

2.4.3 Delete paragraph (d) and replace with the following:

"(d) for the purposes of the references in paragraph (c) to 'tranche' and to 'Threshold Date', paragraph 2.2 shall be construed as though references to 1997 were to 1996."

2.5 Insert a new paragraph 2.5 as follows:

#### "2.5 Optional Conversion

2.5.1 The Registered User of a Supply Point whose Annual Quantity exceeds 11,720,000 kWh (*400,000 therms*) may, by making a Supply Point Reconfirmation for a Proposed Supply Point Registration Date within the eligible period, elect that paragraph 2.1.2 shall cease to apply in relation to that Supply Point with effect from the Supply Point Registration Date.

2.5.2 For the purposes of paragraph 2.5.1 the eligible period is the period commencing:

- (i) where the Annual Quantity of the Supply Point exceeds 24,320,000 kWh (*830,000 therms*), on 30th October 1996;
- (ii) where the Annual quantity of the Supply Point exceeds 15,820,000 kWh (*540,000 therms*) and does not exceed 24,320,000 kWh (*830,000 therms*), on 1st December 1996;

- (iii) where the Annual Quantity of the Supply Point exceeds 11,720,000 kWh (*400,000 therms*) and does not exceed 15,820,000 kWh (*540,000 therms*), on 1st January 1997:

and in each case ending on 28th February 1997.

2.5.3 Where:

- (i) pursuant to an election under paragraph 2.5.1 a Supply Meter Point became a DM Supply Meter Point,
- (ii) The Supply Meter Point is comprised in a Proposed Supply Point in respect of which the Supply Point Confirmation becomes effective,

subject to paragraph 2.5.4, paragraph 2.1.2 shall not apply in respect of the Proposed Supply Point.

2.5.4 Where:

- (i) the Proposed Supply Point is a New Supply Point whose Annual Quantity does not exceed 11,720,000kWh (*400,000 therms*), or
- (ii) the proposing User demonstrates to TransCo's reasonable satisfaction that the former User's election was made in bad faith, in anticipation of or in consequence of the Proposing User's (or any other User's) Proposed Supply Point Registration,

the Proposing User may elect, by Nominating all Supply Meter Points in the Proposed Supply Point as NDM Supply Meter Points, that paragraph 2.5.3 shall not apply.

2.5.5 Where a User has made an election under paragraph 2.5.1 in relation to a Supply Point:

- (a) except for the purposes of paragraphs 2.3.1 and 2.3.2, the Supply Point shall not be considered to be within any tranche for the purposes of paragraphs 2 and 3;
- (b) for the purposes of the User's Supply Point Renomination and Supply Point Reconfirmation:
  - (i) paragraph 3.1.5 shall apply
  - (ii) paragraph 3.2 shall not apply,
  - (iii) paragraph 3.3.1 shall not apply (and accordingly Section G5.2 shall not apply),

- (iv) paragraph 3.3.2 shall apply,
- (v) paragraph 3.4.1 shall not apply, except for paragraph 3.4.1(i)
- (c) each Supply Meter Point which is to become as DM Supply Meter Point shall be treated as a Converting Supply Meter Point for the purposes of giving effect to paragraph (b), but not otherwise.

3.2.2 Replace "Gas Year 1995/96" with "Gas year 1996/97"

#### **4      TransCo's opinion**

TransCo supports implementation of this modification.

#### **5      Extent to which the modification would better facilitate the relevant objectives**

This proposal provides more cost reflective Transportation Charges at a greater number of Supply Points than currently exists and, therefore, promotes the efficient and economic operation of the pipe-line system

#### **6      The implications for TransCo of implementing the Modification Proposal, including**

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

TransCo is not aware of any such implications.

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

These costs have already been incurred

##### **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 intend to recover any costs other than those provided for in the Transportation Statement.

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

Conversion choice may result in a small degree of revenue under-recovery, until such time as a mandatory conversion programme is complete. As a consequence there could be a small increase in the value of K.

**7     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**

More cost reflective pricing is more equitable which will make charges more sustainable and reduce contract risk.

**8     The development implications and other implications for computer systems of TransCo and related computer systems of Relevant Shippers**

A important consideration in developing this proposal was to ensure the modification could be implemented without modifying either TransCo or shipper systems. Throughout the development Workgroup discussions, TransCo is has not been made aware of any shipper system implications.

**9     The implications of implementing the modification for Relevant Shippers**

The implementation of this proposal will allow Shippers convert firm Supply Points, in defined AQ bands, to DM according to a timetable.

**10    The implications of implementing the modification for terminal operators, suppliers, producers and, any Non-Network Code Party**

TransCo has not been made aware of any such implications.

**11    Consequences on the legislative and regulatory obligations and contractual relationships of TransCo and each Relevant Shipper and Non-Network Code Party (if any), of the implementation of the Modification Proposal**

TransCo has not been informed of any such consequences.

**12    Analysis of any advantages or disadvantages of the implementation of the Modification Proposal**

This Modification will permit shippers to operate firm Supply Points, with AQs less than 58,000,000kWhpa, as DM prior to the implementation of a mandatory conversion programme.

DM operation is more cost reflective than NDM operation and gives shippers the freedom to book capacity and balance energy to reflect the requirements of individual Supply Point portfolios.

A greater number of DM Supply Point Components will result in a greater volume of DM reads to be processed after the Gas Flow Day. The increased number of DM reads increases the possibility of rogue reads being generated which in turn would impact on NDM allocations. The causes of rogue DM reads have been established and a programme of data integrity checks has been developed to detect and remove them. Integrity checks will be applied to the meters and loggers prior to the commencement of the programme to minimise allocation errors after conversion.

**13     Summary of the representations (to the extent that the import of those representations are not reflected elsewhere in the modification report)**

Written representations have been received from British Gas Trading and Kinetica. Both representations afford broad support for the proposal although some comments on implementation are also included. These are attached as Appendix 1 with TransCo's comments on issues raised in the representations, not covered elsewhere in the report, forming Appendix 2.

**14     The extent to which the implementation is required to enable TransCo to facilitate compliance with safety or other legislation**

This Modification is not required to facilitate compliance with Safety or other legislation.

**15     Having regard to any proposed change in the methodology established under Standard Condition 3(5) or the statement; furnished by TransCo under Standard Condition 3(1) of the Licence**

This Modification is not required to comply with this clause.

**16     Programme of works required as a consequence of the implementation of the Modification Proposal**

This modification does not require any works other than amendment to Network Code text and amendment to TransCo internal procedures.

**17     Proposed implementation timetable**

This modification will be implemented as soon as practicable after OFGAS approval and before 30 October 1996.

**18     Recommendation for the implementation of the modification**

TransCo recommends that this modification is implemented as soon as practicable after OFGAS approval.

**19     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.

**20     TransCo Proposal**

This Modification Report contains TransCo's proposal to modify the Network Code and TransCo now seeks a direction from the Director General in accordance with this report.

Signed for and on behalf of British Gas TransCo.

Signature:



Date:

18 Sept 96.

Name:

A. C. RAPER

Position:

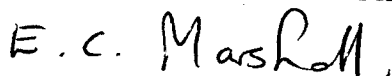
CAPACITY DEVELOPMENT CO-ORDINATOR.

**Director General of Gas Supply Response**

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct British Gas TransCo that the above proposal be made as a modification to the network code.

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

Signature:



Date:

25/9/96

Name:

Dr E. C. Marshall

Position:

Director, Regulation + Business Affairs