

Modification Report
Modification Reference Number 0090
Opening Read Process - Wider Read Window

This modification report is made pursuant to Rule 9 of the Modification Rules and follows the format required under Rule 8.12.4.

1) Circumstances Making This Modification Urgent

In accordance with Rule 9.2(a) Ofgas has agreed that this modification should be treated as URGENT in order to allow implementation in time (if approved) to facilitate the next phase of Domestic Competition scheduled for 10 February 1997.

2) Procedures Followed

TransCo agreed with Ofgas (and has followed) the following procedures for this Proposal:

Modification Proposal circulated	Tuesday 5 November
Close-out for representations	Tuesday 19 November
Modification Report	Wednesday 27 November
Decision anticipated by	Monday 2 December

3) The Modification Proposal;

The Modification Proposal is to allow Shippers a wider read window in which to obtain an opening read. The present read window of D-2 to D+2 Business Days will be extended to D-5 to D+2 Business Days. The read date will still be deemed to be the transfer date (D). The ability to take the opening read earlier will mean that they can be sent to TransCo earlier such that TransCo can have more time to process the read. The read will therefore need to be forwarded to TransCo by 16.00 on D+5.

The proposed change will affect the whole of the competitive market as it is not possible, in the time scale available, to develop separate functionality for Domestic and non-Domestic supply points. However, it will not affect the meter reading service provided by TransCo as this will continue to be to obtain an opening read within the present window of D-2 to D+2.

4) TransCo's Opinion;

It is everyone's interest (Shippers, suppliers and consumers) to use actual reads rather than system generated estimated reads for Shipper transfer reads (opening reads). Implementation of this modification would give Shippers and suppliers more time in which to obtain an actual opening read, and give TransCo more time to process the reads to ensure that rejected reads had been appropriately rejected and, as required, to reenter previously rejected reads.

The proposed process is however biased against the incumbent Shipper who potentially has to pay up to 5 Business Days of capacity charges and energy balancing charges which they may not be able to recover from the consumer.

5) Extent to which the modification would better facilitate the relevant objectives;

One of the lessons learnt from Domestic Competition Phase 1 was that great confusion arises in the market, particularly with consumers, if they receive invoices based on estimated reads where an actual read is taken. In order to facilitate Domestic competition actual reads should be used wherever possible.

6) The implications for TransCo of implementing the Modification Proposal, including:

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

Not applicable

b) development and capital cost and operating cost implications

There will be some systems development costs in implementing this proposal.

There will be additional operating costs in processing inappropriately rejected reads, but this will be more than offset by the reduction in queries that would be generated by inappropriately using estimated reads.

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;

An allowance has been made within TransCo's cost base for developments associated with the implementation of domestic competition.

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

There would be no additional consequences on price regulation as a result of implementing this proposal.

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;

There is no additional contractual risk to TransCo as a result of implementing this modification.

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

TransCo's computer systems will need to be modified in order to implement the proposal. It is anticipated that this can be achieved for the start of Domestic Competition Phase 2

No specific implications for Relevant Shipper's computer systems have been identified.

9) The implications of implementing the modification for Relevant Shippers,

All Shippers will benefit from this modification to the extent that there will be a greater probability that an actual opening read will be obtained rather than an estimated opening read. However, this needs to be balanced against the possible financial implications for the withdrawing Shipper who will potentially have to pay transportation charges that cannot be recovered from consumers. This is obviously of greatest impact on BGT who will initially be losing market share.

10) The implications of implementing the modification for terminal operators, suppliers, producers and any non-Network Code Party;

Suppliers will have a greater degree of certainty that actual opening reads are used, rather than estimated opening reads. Independent meter reading organizations will benefit from the wider read window in which to obtain an opening read.

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;

The modification would ensure that a greater number of actual opening meter reads are obtained. It will also allow those meter reads that have been correctly, but inappropriately rejected, to be reentered and used. This will help to minimize metering and invoice disputes.

12) Analysis of any advantages or disadvantages of the implementation of the Modification Proposal;

The main advantage is that there is a greater probability that actual opening meter reads will be used rather than estimated opening meter reads.

The disadvantage is the potential financial implications for the withdrawing Shipper.

Although the whole market would benefit from having actual, rather than estimated, opening reads, the financial implications from achieving this benefit will initially be borne by one Shipper, BGT.

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

Most Shippers that submitted representations did not object to the Modification Proposal. BP Gas suggested that the modification should only apply during peak times of supply point transfer. This view was supported by Texaco who suggested that the modification be reviewed 3 months after the start of the last tranche of Phase 2 of Domestic Competition.

Kinetica did not support the modification as they would like to see the opening read process revised. Finally, BGT totally opposed the modification as it is skewed against the incumbent Shipper which will initially be BGT in the Domestic Market. BGT also doubt that there will be any additional benefits to TransCo in terms of smoothing the flow of opening reads as they will still tend to be sent in as late as possible. BGT propose that the problem should be addressed by the rationing of supply points transferring.

TransCo Response

TransCo fully support BGT's concerns about the process envisaged by the Modification Proposal being biased against the incumbent Shipper. D-5 Business Days is at least 7 calendar days for Phase 2 Domestic Competition. Potentially, BGT will be paying 7 days of capacity and energy balancing charges for which they may not be able to recover from the consumer. This is in addition to any lost profit element on gas sales to consumers. However, BGT will stand to gain from the ability to close accounts based on actual reads rather than estimated reads, thus minimizing disputes, which must be offset against this cost.

Whereas TransCo also accept that this modification may not lead to a significant smoothing of the flow of opening meter reads, it does allow TransCo more time in which to process the reads.

Proposals to limit the rate at which supply points can change ownership are subject to wider industry consultation.

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

Not applicable.

- 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;

Not applicable.

- 16) Programme of works required as a consequence of the implementation of the Modification Proposal;

The necessary system changes will be made by the start of Domestic Competition Phase 2 should approval for this modification be given by early December.

17) Proposed implementation timetable;

See 16) above.

18) Recommendation for the implementation of the modification;

TransCo recommends that this modification be implemented, but recognizes that it is biased against the incumbent Shipper, initially BGT.

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.

21) Text provided pursuant to Rule 9

Amend Section G3.3.2 to read:

"...obtained within the period from the 5th Business Day before, to the 2nd Business Day after, the Supply Point Registration Date...."

Amend Section M3.8.2(ii) to read:

"...16.00 hours on the 5th Business Day after..."

Amend Section M3.8.3 to read:

"...the required date range is the period from the 5th Business day before, to the 2nd Business day after, the Supply Point Registration Date."

Signed for and on behalf of British Gas TransCo.

Signature: P Monk
Date: 27 Nov '96
Name: P J. MONK
Position: NETWORK CODE MANAGER

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:

Name:

Position:

The Network Code is hereby modified, with effect from _____, in accordance with the above proposal.

Signature:

Secretary Modification Panel
British Gas TransCo

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 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:

- (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.