

Final Modification Report
Modification Reference Number 0083
Amendment to allowable Access-denied for each User

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:

The purpose of this proposal is to ensure that TransCo is not unfairly penalised where it is unable to provide a meter reading due to a meter being access-denied.

1b) Procedure Followed

26th September 1996	-	Proposal generated by TransCo
27th September 1996	-	Ofgas declare Modification Proposal as Urgent
4th October 1996	-	Representations close out
4th October 1996	-	Modification Report submitted to Ofgas
18th October 1996	-	Meeting between interested Shippers, TransCo and Ofgas
18th October 1996	-	Final Modification Report submitted to Ofgas

2. Text provided pursuant to Rule 8.14:

Paragraphs 3.3.7, 3.4.7 and 3.5.6 of the Transition Document Part V to be amended by respectively replacing such paragraphs with the following:

3.3.7 For the period 23rd October 1996 until 23rd December 1996 for any User, in relation separately to month 'n+1' and to month 'n+2', not more than 40% of the Relevant Monthly Read Meters for which in relation to month 'n' TransCo (MR) did not provide Valid Monthly Readings may be Access-denied Meters. In respect of the period commencing 24th December 1996, the reference in the first sentence of this paragraph to "40%" shall be deemed to be a reference to "5%".

3.4.7 For the period 23rd October 1996 until 23rd December 1996 for any User, not more than 40% of the Relevant Annual Read Meters for which in relation to a Half-year Period TransCo (MR) did not provide Valid Half-yearly Readings may (in relation to the second half-year Period) be Access-denied Meters. In respect of the period commencing 24th December 1996, the reference in the first sentence of this paragraph to "40%" shall be deemed to be a reference to "5%".

3.5.6 For the period 23rd October 1996 until 23rd December 1996 for any User, not more than 40% of the Relevant Opening Meters for which in relation to a month TransCo (MR) did not provide Valid Opening Readings may be Access-denied Meters. In respect of the period commencing 24th December 1996, the reference in the first sentence of this paragraph to "40%" shall be deemed to be a reference to "5%".

3. TransCo's opinion:

As part of the negotiations between Shippers, Ofgas and TransCo performance standards together with a liabilities package were developed and incorporated into the Network Code. However, TransCo were concerned at the time that the package was agreed that the 5% cap for access-denied was inadequate, and was therefore one of the reasons why the Meter Reading Contract was included in the Transition Document. Ofgas recognised these concerns, at the time, and agreed that should TransCo be able to demonstrate that the level of access-denied was higher the cap would be reviewed.

Following a meeting on the 18th October 1996 between Shippers, TransCo and Ofgas it was agreed that this revised modification, to amend the access-denied cap to 40%, should be implemented. It was also agreed that TransCo and Users would endeavour to agree, by the 23rd December 1996, further modifications in respect of the treatment of Access-denied Meters. TransCo support this view.

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

For each User there is a cap on allowable access-denied of not more than 5%, of the failed reads for last month. The Network Code contains a number of rigorous conditions that TransCo must satisfy before it can classify a site as access-denied. Figures have now been collected, see attached, that demonstrate that this cap is inappropriate. TransCo agree with Shippers that the rate of access-denied is not constant throughout the year, but has significant peaks and troughs. It would therefore seem inappropriate to place a cap on the number of allowable access-denied as this does not adequately deal with the fluctuations. July and August may be peak months, but sampling has still indicated that a cap of 5% is inappropriate. As such, adjusting the cap to 40% will provide appropriate incentives.

5. 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

None.

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:

It is not TransCo's intention to recover any of the costs that it incurs in respect of this modification. The costs will be accommodated within existing arrangements.

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

TransCo is not aware of any such implications.

6. 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 is not aware of any such implications.

7. The development implications and other implications for computer systems of TransCo and related computer systems of Relevant Shippers:

TransCo is not aware of any implications.

8. The implications of implementing the modification for Relevant Shippers:

The implementation of this modification will have a minimal impact on those Shippers who have a small number of access-denied sites. The requirement to pay substantial liabilities where it is unable to provide a meter reading due to access-denied is penalising TransCo unfairly. This modification, whilst not incurring extra costs for Shippers, will reduce the liability payments, and the opportunity to benefit commercially, for those Shippers who have a large number of access-denied sites.

It should also be noted that if the metering cap is reached for liability payments, all payments are pro-rated. Therefore paying liabilities for sites which are access-denied may reduce the legitimate payments to other Shippers.

9. The implications of implementing the modification for terminal operators, suppliers, producers and, any Non-Network Code Party:

No such implications have been identified.

10. 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.

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

TransCo is currently experiencing problems with access-denied figures running significantly higher than the allowable 5 % under the Network Code. Despite requesting updated access details, in line with the rigorous Network Code conditions, for on average 6000 sites per month TransCo has received negligible responses, many Shippers not responding at all. TransCo are keen to facilitate this process and are happy to consider forwarding the information to Shippers electronically if this is required.

A Review Group has recently been established, under Modification Proposal 0072, to consider standards of service in general and a number of Shippers commented that access-denied could be considered as part of this review. Access-denied is an industry problem and TransCo would welcome any initiatives arising through the Review Group that

would reduce the incidence of access-denied. However, TransCo can see no justification for placing a cap on the level of access-denied and feel that this Modification is Urgent, as during the consultation period TransCo will continue to suffer the financial consequences of high access-denied levels.

Access-denied can only be claimed for actual cases, therefore this modification will not penalise Users who have low figures. It should also be noted that implementing this modification will not create additional expenses for Shippers, however TransCo believe that reducing liability payments will incentivise Shippers to respond to requests for updated access details.

12. Summary of the representations (to the extent that the import of those representations are not reflected elsewhere in the modification report);

Please see above analysis.

13. 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.

14. 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.

15. Programme of works required as a consequence of the implementation of the Modification Proposal;

TransCo will ensure that any necessary changes are made in order to implement the proposal.

16. Proposed implementation timetable;

Implement 23rd October 1996.

17. Recommendation for the implementation of the modification;

TransCo recommend that this Modification is implemented on the 23rd October 1996 so that the access-denied figures are better reflected in the meter reading performance for the months of October and November.

18. 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.

Signed for and on behalf of British Gas TransCo.

Signature: S. McLaughlin

Date: 18th October 1996

Name: Sharon McLaughlin

Position: Network Code Co-ordinator

Director General of Gas Supply Response

22/10 30 10E 17:12 FAX 01/199210/3 NETWORK OFFS 0000

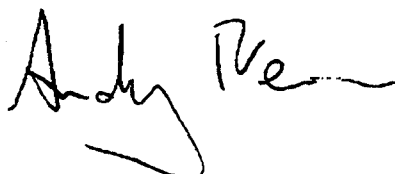
Modification Number 0083

Director General of Gas Supply Response

In accordance with Condition 7(10)(b) of the Standard Conditions of Public Gas Transporters' Licences dated 21 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:

22 October 1996

Name:

ANDY FREEMAN

Position:

METERING SECTION.