

Modification Report
Modification Reference Number 0116

This modification report is made pursuant to Rule 9 (**Urgent**) 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 because the current Work Group looking at the liability regime under the Network Code, believe it is sensible to trial a simplified structure as a transitional arrangement until the Review Group makes full recommendations and these are implemented. Therefore this Modification at introduces a simplified liability structure to test if the mechanisms and monitors are appropriate.

2. Procedures Followed

Transco agreed with Ofgas the following procedures for this Proposal:

15 January 1997	Ofgas decision on Urgent.
20 January 1997	Modification Panel Meeting discussion of Mod.
30 January 1997	Close Out Period.
10 February 1997	Mod Report to Ofgas.
14 February 1997	Ofgas decision expected.

Transco has been unable to comply with this timetable because of a technical problem with its automatic faxing system which delayed Transco in sending invitations to make representations to a few organisations.

3. The Modification Proposal:

The nature of this Proposal is to extend the Standards of Service regime, such that a new standard is introduced for meter asset details. This will require that when a Transco meter is changed, or any of the asset information that Transco alters when it visits the site, this will be forwarded to Shippers within five working days of the change. Failure to meet this five day standard will result in a Liability payment. This Proposal includes a proposed Class 3 Modification of the UK Link Manual to incorporate the specific meter asset details to which the Proposal relates.

4. Transco's opinion:

Transco believe it is important to ensure that the liability regime which will be changed via Mod 72, simplifies the existing regime. It is also important to ensure that the core Transco services are focused upon in the new liability regime, as such Transco have proposed this trial Standards of Service for meter asset information such that both Shippers and Transco can learn from the introduction of this trial. Furthermore, meter asset information is vital to enable Shippers to bill their end users once they supply them with meter readings. As such, if they have not got correct meter asset information, queries will result and so costs incurred for both Shippers and Transco. This Modification incentivises Transco to perform in that area.

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

This will ensure that competition is better facilitated as up to date meter asset records are a vital part of the billing process for the Shippers. Therefore, ensuring that Shippers are provided with up to date information will reduce queries and, in turn, enable Shippers to concentrate on issues aimed at promoting competition.

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 are no UK Link development costs associated with this modification.

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 special cost recovery in this case.

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

This Proposal adds costs to Transco as it will result in liability payments.

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:

Transco's contractual risk will be increased by the additional liability for failure to provide the service levels that are appropriate.

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

The monitoring mechanisms for this liability will be undertaken outside UK Link and as such, there are no impacts on that system. Systems are already in place to monitor the accuracy of passback information which will be used to monitor this activity. As noted above, the UK Link Manual will be amended (as a Class 1 Modification) to include details of the information which is to be forwarded to Shippers on a change in meter asset details.

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

By introducing this Modification Transco will be incentivised to perform in the area of meter asset information. If Transco fail to update their records, a liability payment will be made to the relevant Shipper.

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

No Impact

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:

No such consequences have been indentified.

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

This Modification Proposal is advantageous to both Shippers and Transco, in that it enables the trial of a simplified liability regime to be undertaken and from a Shippers perspective, ensures that if Transco fails to meet the Standards of Service they receive a liability payment.

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

Seven Shipper representations have been received, see attached, all of which are generally supportive of the Modification. Key themes that run through the Shipper's representations are:

1. Specifying the quality criteria that need to be adopted.
2. The acceptability of a cap on the liabilities.
3. The operation of a dead band for the liability.

Representations received from both BP Gas and PanEnergy were considered by Transco even though they were received after the close-out date. This was because those organisations had not (owing to a technical problem with Transco's automatic faxing system) received at the correct time the original invitation to make representations. This relaxation by Transco of the close-out date was only made in favour of those organisations affected by Transco's system error, and it cannot be assumed that Transco would undertake the same action in the event of a similar error occurring in the future.

With regard to the data quality, Transco have also included in the drafting a Modification to the UK Link Manual specifying all the data items that need to be included as part of successful update of meter asset information. This will ensure all the relevant information is passed to the Shippers and failure to provide any one of these will count as a failure.

Key data items that need to be mandatory for successful update of meter asset information are as follows:

- Meter Serial Number
- Index of Meter
- Number of Dials
- Meter Point Reference Number
- Meter Status Code
- Transaction Type
- Date Job was done

Other items that are mandatory if fitted, are associated with correctors, and are:

- Reason Code - Estimate / Actual
- Meter Correction Factor
- Corrector Serial Number
- Index of Corrector
- Number of Corrector Dials

Caps

With regard to the caps, it is unreasonable for Transco to be exposed to large levels of liability without the ability to manage its total exposure, as such, the cap regime was introduced during the liability discussions and as such, Transco believe that it is appropriate to maintain a cap for this particular liability.

Discussion of the Dead Band

Discussion has taken place as to whether a dead band is appropriate for this liability. Transco's objective is to return all meter asset information in a timely manner. However, as acknowledged by a number of Shippers a 100% service level is not achievable nor desirable due to the extra cost of providing this level of service to enable this to occur, excess costs will have to be born by Transco in obtaining

100% service level and these costs will ultimately be born by the Industry as Transco would have to increase its costs for undertaking this activity. As such, 100% service standard increases total Industry costs. Therefore, Transco believe that it is not appropriate to have a service level of 100% and believes a more realistic target table level should be 95%. This is in keeping with all the other dead bands associated with this activity that is solely under Transco's ability to alter within the Code. Transco is therefore recommending a 95% dead band be introduced with this liability.

1. To obtain a suitable resolution of the issue, Transco propose to introduce a 95% service level for the return of accurate information by Day 5 and include a liability payment by Day 20. If the information is not passed to the Shipper. The levels will be set at £2 and £5 respectively. A continuing payment will apply such that if in the following month the information is not sent to a Shipper, a further payment of £5 will be made.

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;

This modification does not impact upon the pricing methodology.

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

17. Proposed implementation timetable;

Programme of works is such that the liability regime will be introduced as from the 1 February 1997, so that all items that are not passed back within five days, have a liability.

18. Recommendation for the implementation of the modification;

1st March, 1997.

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 (Urgent).

Section M

Insert a new paragraph 2.7 as follows:

"2.7 Updating relevant Meter Information

2.7.1 Where as a result of any Meter Installation Works undertaken (pursuant to paragraph 2.2.2 or otherwise) by Transco in relation to an applicable Supply Meter Point, the relevant Meter Information recorded in the Supply Point Register ceases to be accurate, Transco will after completing such works:

- (i) amend the Supply Point Register so as to record the change in relevant Meter Information required as a result of such works, and
- (ii) provide to the Registered User details of the amendment made pursuant to paragraph (i).

2.7.2 For the purposes of this paragraph 2.7:

- (a) an "**applicable**" Supply Meter Point is a Supply Meter Point, other than an NTS Supply Meter Point or Supply Meter Point comprised in a VLDMC Supply Point Component, in relation to which Transco provides (in accordance with paragraph 2.2) the Supply Meter Installation;
- (b) references to a Supply Meter Point include a New Supply Meter Point, and accordingly references to a change in relevant Meter Information includes the creation of initial relevant Meter Information;
- (c) relevant Meter Information is such Meter Information as is specified for the purposes of this paragraph 2.7 in the UK Link Manual;
- (d) in relation to any calendar month and any User, a "**relevant**" Supply Meter Point is an applicable Supply Meter Point of which the User is Registered User and in relation to which the Meter Installation Works referred to in paragraph 2.7.1 were completed in that month,
- (e) a relevant Supply Meter Point will not be treated as one in relation to which Transco did not comply with paragraph 2.7.1 where Transco was unable to comply with paragraph 2.7.1 by reason of Force Majeure;
- (f) in relation to any relevant Supply Meter Point, any period within which Transco is to comply with paragraph 2.7.1 runs from the Business Day after the relevant Meter Installation Works (therein referred to) were completed,

2.7.3 If, in relation to any calendar month and any User, Transco does not comply with paragraph 2.7.1 within 5 Business Days in respect of at least 95% of relevant Supply Meter Points, Transco will (subject to the further provisions of this paragraph 2.7) pay to the User an amount calculated as:

$$((0.95 * M) - N) * Q$$

where for the relevant month and the relevant User:

M is the number of relevant Supply Meter Points;

N is the number of relevant Supply Meter Points in respect of which Transco did not comply with paragraph 2.7.1 within 5 Business Days;

and where Q is £2.

2.7.4 If, in relation to a Supply Meter Point which is a relevant Supply Meter Point in any calendar month (month 'n') and of which the User continues to be Registered User until the end of the period referred to in paragraph (i) or (ii) (as appropriate), Transco does not comply with paragraph 2.7. 1:

(i) within 20 Business Days, Transco will pay to the User £5;

(ii) by the end of month n+2, Transco will pay to the User (in addition to the amount under paragraph (i)) a further £5.

2.7.5 The aggregate amount payable under this paragraph 2.7 (excluding amounts in respect of interest) by Transco to all Users in respect of applicable Supply Meter Points in relation to Meter Installation Works completed:

(i) in any 12 month period expiring 31 st March in any year, shall not exceed £3,000,000, or in the case of the 2 month period expiring 31 st March 1997, £500,000;

(ii) in any month (month 'n', where n is 1 for the first month in such a 12 month period, 2 for the second such month, and so on) shall not exceed the amount by which n/ 1 2 (or in relation to the 2 month period ending 31 st March 1997, n/2) of the amount in paragraph (i) exceeds the aggregate amounts so payable in respect of months 1 to n- 1 inclusive (or if month n is month 1, zero).

2.7.6 Where in any month the aggregate amount payable by Transco under this paragraph 2.7 would exceed the relevant amount provided in paragraph 2.7.5(ii), the amounts payable to Users in respect of that month shall be reduced pro rata.

2.7.7 The provisions of Sections G4.6.1, 4.6.3, 4.9.1, 4.11 and 4.12 (in the case of Sections G4.6.1 and 4.6.3, after the application of paragraphs 2.7.5 and 2.7.6) apply for the purposes of this paragraph 2.7, which is subject to those provisions."

Amend paragraph 3.2.7 to read:

"Without prejudice to paragraph 2.7, if Transco....."

Section G

Amend paragraph 1.9.8 to read:

"... as provided in this Section G or Section M."

Amend paragraph 4.6.1 (a) to read:

"(a) submitted in any annual period shall not exceed, when aggregated with the aggregate amounts payable by Transco to Users in such period pursuant to Section M2.7, whichever is....."

Amend paragraph 4.6.1 (b) to read:

".....shall not exceed, when aggregated with the amounts payable by Transco to Users in such month pursuant to Section M2.7, the amount by which...."

Amend paragraph 4.6.3 to read:

"....payable by Transco under this paragraph 4, when aggregated with the aggregate amounts payable by Transco to Users in such month pursuant to Section M2.7, would exceed..... the amounts payable to Users under this paragraph 4 in respect of that month..."

Amend paragraph 4.9.1 to read :

".....this paragraph 4 and Sections M2.7.3 and M2.7.4 shall cease...."

Amend paragraph 4.11.1 to read:

".....this paragraph 4 and Sections M2.7.3 and M2.7.4 will be invoiced...."

Amend paragraph 4.11.2 to read:

"... this paragraph 4 or Section M2.7.3 or M2.7.4 will be payable....."

Amend paragraph 4.11.4 to read:

".....or (in relation to Section M2.7) the relevant Meter Works therein referred to were completed."

Amend paragraph 4.12(b) to read:

".... pursuant to paragraph 4.6 and Section M2.7 are Compensation...."

22. Class 3 Modification

The UK Link Manual will be modified, by way of a Class 1 Modification, as follows:
Insert at the end of the AI_O_BILLREADS the following:

"For the purposes of Section M2.7.2 (c) relevant Meter Information is as follows:

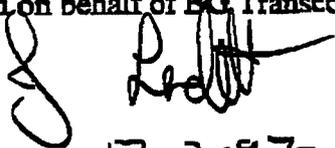
Meter Serial Number
Index of Meter
Number of Dials
Meter Point Reference Number
Meter Status Code
Transaction Type
Date Job was done

Other items that are mandatory if fitted, are associated with correctors, and are:

Reason Code - Estimate / Actual
Meter Correction Factor
Corrector Serial Number
Index of Corrector
Number of Corrector Dials"

Signed for and on behalf of BG Transco.

Signature:



Date:

17.2.97

Name:

John Lockett

Position:

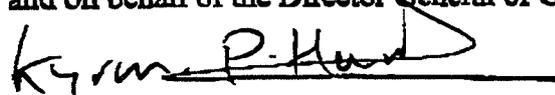
Commercial Manager N/Code.

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 BG 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:

24/2/97

Name:

KYRAN HANKES

Position:

HEAD OF NETWORK OPERATIONS

The network code is hereby modified, with effect from , in accordance with the above proposal.

1st FEBRUARY 1997.

Signature:

Secretary Modification Panel
BG Transco