

Modification Report
URGENT Modification Reference Number 0212

Charge for Provision of Estimates for Opening Meter Reads - Extension of Domestic Market Interim Solution Provisions

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 Proposal Urgent:

In accordance with Rule 9.2(a) Ofgas has agreed that this Modification Proposal should be treated as Urgent because the changes are required to ensure continuity of charging for the provision of estimated meter readings in the Scottish & Northern tranche of domestic competition from 9 February 1998 (the date on which the provisions of Modification 0171 'DCIII Tranche 1 - The Interim Solution' as amended by Modification 0195 'DCIII Interim Solution - Amendments to Facilitate the 'Catch Up Process' expire).

2. Procedures Followed:

Transco agreed with Ofgas (and has followed) the following procedures for this Proposal;

Modification Proposal to Ofgas for consideration.	28 January 1998
Ofgas direction for Urgent Procedures to apply.	28 January 1998
Modification Proposal circulated to Modification Panel members, Shippers and Non-Network Code parties seeking representations.	28 January 1998
Close out for representations.	17.00 4 February 1998
Modification Report to Ofgas.	5 February 1998

3. The Modification Proposal:

Modification 0171 'DCIII Tranche 1 - The Interim Solution', later amended by Modification 0185 'Interim Solution - Performance Standards for Opening Reads' established that if an opening meter read is not provided to Transco within ten days of a supply point transfer, the confirming shipper will pay to Transco a charge, as set out in the Transportation Statement. Transco will provide, where possible, an estimated meter reading to the proposing and withdrawing shipper. The charge is only applied where Transco provide an estimated read and the actual opening reads received by Transco by the end of D+9 fall below a target performance level of 90%. This is measured on a monthly basis or part thereof.

The above Modifications apply only to Tranche 1 of domestic competition. It is planned that charges for the provision of estimates will be applied to the rest of the domestic market, this being subject to Pricing Consultation PC21 and Modification Proposal 0213. Subject to industry agreement, the new charges will apply with respect to confirmations with an effective date of 18 February 1998 and beyond. The Interim Solution 'Transitional Period'

established by Modification 0171 and amended by Modification 0195 'DCIII Interim Solution - Amendments to Facilitate the 'Catch Up' Process' expires at 06.00 hours on 9 February 1998. This means that there will be a charging period not covered by current or proposed Network Code text.

It is therefore proposed to extend the terms of Modification 0185 to ensure that charging for the provision of manually produced estimated reads by Transco where an opening read is not supplied at the end of D+9 for supply point transfers within tranche 1 of domestic competition is continued. This will be effective up to and including a supply point registration date of 17 February 1998. Confirmations with an effective date after 17 February 1998 will be subject to the terms of Pricing Consultation document PC21 and Modification Proposal 0213 which was issued to Shippers and Non-Network Code parties seeking representations on 28 January 1998.

The criterion for judging whether the 90% performance target has been achieved is the existence of an actual meter read on the Sites and Meters database and not dispatch of a read by a shipper (the target relates to validated reads). However, Transco will not charge for providing an estimate when a Shipper fails to deliver an opening meter read if this failure is due to a Transco system failure.

Prepayment meters will continue to be excluded from the performance measure and the charge.

4. Transco's opinion:

Transco require this Modification to be implemented to ensure that the charges identified in the Transportation Statement continue to be applied where Shippers opening read performance does not reach the 90% performance target. This is in order to ensure continuity of charging within the Scottish & Northern tranche prior to the proposed implementation of new charges identified in Pricing Consultation document PC21 to mainstream domestic competition.

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

The Modification is required to incentivise Shippers to provide opening reads and so facilitate Transco's obligations to promote and secure effective competition between relevant shippers and relevant suppliers in the Scottish & Northern tranche of the domestic market.

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

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

None identified.

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

No additional costs have been identified with respect to 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:**

Not applicable.

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

None identified.

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 a risk that where Shippers opening read performance is unduly poor, Transco will not be able to manually input the required estimated reads at D+10. This will mean a likely increase in the number of requests for the agreed reads process to be initiated. This Modification provides an increased incentive on Shippers to maintain and improve their opening read performance.

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

None identified.

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

Shippers will be charged a fee where Transco provide an estimated meter read in response to the non-receipt of an opening read within the established timescales.

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

None identified.

11. **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:**

The Modification meets Transco's regulatory obligations with regard to compliance with the relevant objectives.

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

Advantages

The implementation of this Modification will ensure continuity of charging for the provision of estimated reads in the period between the expiry of the terms of Interim Solution Modifications 0171 & 0185 and, subject to industry agreement, the implementation of the revised charge as identified in Pricing Consultation document PC21 to the mainstream domestic market.

Disadvantages

No disadvantages with respect to this Modification have been brought to the attention of Transco.

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

One representation was received which is supportive of this Modification. Concerns were registered with regard to Pricing Consultation PC21 (mainstream pricing proposals) with an indication of intention to make representation to the above consultation. The proposals for mainstream domestic competition are subject to a separate Urgent Modification Proposal 0213.

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

Not applicable.

15. **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.

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

None identified.

17. **Proposed implementation timetable (inc timetable for any necessary information systems changes):**

Ofgas Direction for Implementation of Modification
Modification implemented and effective

6 February 1998
9 February 1998

18. Recommendation concerning implementation of the Modification Proposal:

Transco recommend that this modification is implemented in accordance with the timescales in section (17).

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's Proposal:

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

21. Text provided pursuant to Rule 9:

Transition Document Part II, Section 8

- "M3.8.5 (1) Where Users submit Supply Point Confirmations in respect of Transitional Supply Points in relation to which the Supply Point Registration Date is between 9 February and 17 February 1998 ("**TSP qualifying transfers**"):
- (a) without prejudice to (c) and in respect of each Proposing User, in the event that less than 90% of Opening Meter Readings for TSP qualifying transfers are provided to Transco by 16:00 hours on the 9th Business Day after the Supply Point Registration Date, the Proposing User shall pay to Transco the charge, if any, set out in the Transportation Statement for the provision of that number of estimated Meter Readings determined in accordance with (d) (where provided by Transco pursuant to (c));
 - (b) Section M3.8.5 shall not apply and Transco will in so far as is practicable provide to the Proposing User and the Withdrawing User an estimated Meter Reading (and the remaining provisions of Section M3.8 shall apply);
 - (c) for the purposes of (a) or (d), no account shall be taken of Supply Point Confirmations relating to Supply Meter Points at which the Supply Meter Installation includes a prepayment installation and in respect of such Supply Meter Points Transco shall not be required to provide an estimated Meter Reading pursuant to Section 3.8.5;

- (d) the number of estimated Meter Readings in respect of which the Proposing User shall be required to pay the charge under (a) shall be calculated as:

$$(0.90 * A) - B$$

where for each Proposing User:

A is the number of TSP qualifying transfers;

B is the number of Opening Meter Reads provided to Transco for TSP qualifying transfers within the period referred to in (a)

- (2) For the purposes of paragraph (1), "**Transitional Supply Point**" means a Supply Meter Point at premises (which with effect from 1 November 1997 pursuant to section 6 of the Gas Act 1995 a gas supplier other than BGT may be authorised by a domestic gas licence to supply gas) to which gas is or is capable of being conveyed by Transco pursuant to the Transco Licence."

98/02/09/02

Signed for and on behalf of Transco.

Signature:

John Lockett
Manager, Network Code

Date:

5/2/98

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 Transco that the above proposal (as contained in Modification Report Reference 0212, version 1.0 dated 05/02/98) be made as a modification to the Network Code.

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

Signature:

Kyran P. Hanks

Kyran Hanks
Director of Transportation Regulation

Date:

6/2/98

The Network Code is hereby modified, with effect from 6th FEBRUARY 1998, in accordance with the proposal as set out in this Modification Report, version 1.0.

Signature:

Process Manager - Network Code
Transco

Date: 10/2/98

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.