

Modification Report
URGENT Modification Reference Number 0213
Charge for the Provision of Estimates for Domestic Opening Meter Reads

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 there is insufficient time in this case for the non-urgent route to be applied.

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 17 February 1998
Modification Report to Ofgas (draft).	23 February 1998
Modification Report to Ofgas (final).	27 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 Transco may charge for the provision of an estimated read. This applied when shippers failed to meet their opening read obligations for supply points transferring in tranche 1 of the domestic market.

The period of applicability of this principle within tranche 1 was later extended by the implementation of Modification 0212 'Charge for Provision of Estimates for Opening Meter Reads - Extension of Domestic Market Interim Solution Provisions'.

It is proposed to extend the principle of charging for the provision of estimated reads throughout the domestic market.

Transco issued a pricing consultation report (ref PC21) on 23 January 1998 which presented the proposals for the new charge to be levied for providing system based estimates of opening reads in respect of domestic (<73,200 kWh) customer transfers.

If an opening meter read is not provided to Transco within seven days of a supply point transfer date, it is proposed that the confirming shipper will pay to Transco a charge, as set

out in the Transportation Statement. Transco will provide an estimated meter reading to the proposing and withdrawing shipper. The charge will only be applied where Transco provide an estimated read.

It is proposed that the above charge should only be applied to the extent that those actual opening reads received by Transco by the end of D+7 fall below a target performance level of 90%. This will be measured on a monthly basis, or part thereof, in respect of confirmations with an effective date from and including 18 February 1998.

The criterion for judging whether the 90% target has been achieved will be the existence of an actual meter read on the Sites and Meters database and not dispatch of a read by a shipper (the target will relate 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 are 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 are applied within the domestic market for the provision of estimated opening reads by Transco where Shippers opening read performance does not reach the 90% performance target.

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

The Modification will assist Transco to meet its obligations to promote and secure effective competition between relevant shippers and relevant suppliers in 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:**

The Modification supports the proposals identified in Pricing Consultation PC21.

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:**

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 as per the Transportation Statement where Transco provide an estimated meter read in response to the non-receipt of an actual 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 Modification supports the implementation of a charge for the provision of estimated opening meter reads by Transco as identified in Pricing Consultation document PC21 to the mainstream domestic market. The establishment of this charge provides an increased incentive on Shippers to maintain and improve their opening read performance.

Disadvantages.

None identified.

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

Two representations were received with respect to this Modification Proposal one of which which was supportive in principle and the other which was not supportive.

Two issues were raised in the first representation:

The first is a scenario where Transco incorrectly rejects an opening read due to erroneous data on Sites and Meters, for example, an incorrect AQ. At present the process for returning rejected reads is by fax. The Shipper noted that these were not being received in a timely fashion. It was therefore considered that the charge should not be levied until Shippers have the ability to query invalid rejections within the meter reading window. It was further claimed that Shippers should not be liable for charges where they have provided an actual valid read.

Transco would firstly comment that rejections occur only in a very small number of cases and intermittently. Only reads which Transco consider are invalid are rejected. Transco would further note that if reads are submitted by D+7, which is a Network Code contractual obligation, then there should be time to resolve rejections and meet the D+10 deadline for the generation of an estimated read.

A second concern registered, is that no appeals process is available. It was claimed that Shippers should not be liable for an opening reading estimate charge where an erroneous estimate (due to an incorrect AQ for example) has caused the shipper/supplier to separately read the meter. In this instance, it was proposed that the Shipper should be able to appeal against the estimate and hence get the charged waived.

Transco would comment that an estimate is only generated in the first place because the Shipper has failed to deliver an actual opening read within the established timescales, that is to say that the meter should have been read in the first place. Transco would therefore query the relevance of this issue.

The second representation supported in principle the charging of Shippers for the provision of estimated opening reads, but suggested that the performance level be raised to 100%. The respondent also suggests an alternative approach whereby Shippers should have an obligation to provide Transco with 100% of actual opening reads and if the level of service is not provided, then the charge is passed on to the outgoing Shipper as compensation for receiving an estimated read rather than an actual read. The respondent also comments that where an erroneous transfer takes place, the original Shipper should not bear the costs associated with the provision of estimated opening reads when the customer is transferred back.

In response to the above, Transco believes that the 90% threshold for the application of the charge remains appropriate and that a 100% performance level for any meter read activity is unrealistic.

The charge for the estimate is a separate charge and constitutes Transco's income stream as a direct result of expenses incurred, forming a part of transportation revenue for formula purposes. The charge is cost reflective and is therefore of no benefit to Transco, but is sufficiently high to provide an additional incentive for Shippers to provide actual opening reads. Transco would comment that the provision of these are of considerable benefit to the industry. It should be noted, however, that the charge is not designed for compensation purposes and that there is no mechanism for passing on any revenue.

Transco do not propose to exempt erroneous transfer estimates from the application of the charge on the basis that instances of these are expected to be limited. It is, however, intended to monitor the volume of occurrences.

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	27 February 1998
Modification implemented and effective	4 March 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:

Principal Document. Section M: Supply Point Metering

Amend paragraph 3.8.5:

"Without prejudice to paragraph 3.8.10, where an Opening Meter Reading is not provided ..."

Add paragraph 3.8.10:

"3.8.10 Where Users submit Supply Point Confirmations in respect of Smaller Supply Points in relation to which the Supply Point Registration Date is on or after 18 February 1998 ("**SSP qualifying transfers**"):

- (a) without prejudice to (c) and in respect of each Proposing User, in the event that in any calendar month (or part thereof) less than 90% of Opening Meter Readings for SSP qualifying transfers are provided to Transco in accordance with paragraph 3.8.2(ii), 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 (c) (where provided by Transco pursuant to paragraph 3.8.5);
- (b) for the purposes of (a), no account shall be taken of Proposed Supply Point transfers which relate 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 paragraph 3.8.5;
- (c) 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 SSP qualifying transfers;
- B is the number of Opening Meter Reads provided to Transco for SSP qualifying transfers in accordance with paragraph 3.8.2(ii)."

Transition Document Part II

8. Miscellaneous

Section B

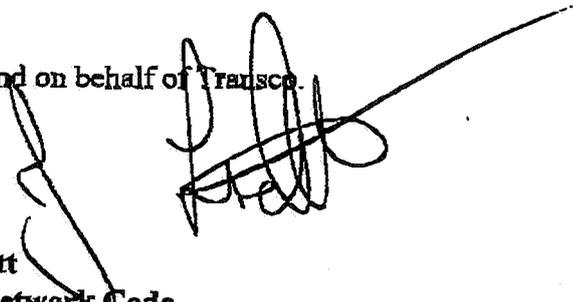
Add paragraph

"B 1.8.2 For the purposes of Transco's notification entitled 'Addendum to the current Transportation Statement: Domestic Opening Read: Charge for Provision of Estimate' (developed from pricing consultation paper PC 21), Section B 1.8.2 shall not apply."

98/27/02/04

Signed for and on behalf of Transco.

Signature:



John Lockett
Manager, Network Code

Date:

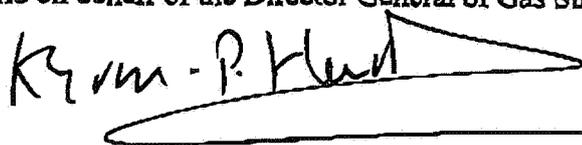
27. 2. 98

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 0213, version 1.0 dated 23/2/98) be made as a modification to the Network Code.

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

Signature:



Kyran Hanks
Director of Transportation Regulation

Date:

27/2/98

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

Signature:

Process Manager - Network Code
Transco

Date:

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.