

Final Modification Report
Modification Reference Number 0216 NDM CSEP Reconciliation

This Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal:

Under Section J of the Network Code, a Network Exit Agreement (NExA) is required for supply points located on Connected Systems operated by Independent Public Gas Transporters (IPGTs). The current NExA requires that these supply points be subject to individual meter point reconciliation. Following the introduction of Reconciliation by Difference (RbD) (Modification 0194) on the Transco system for smaller supply points, the current NExA arrangements for individual meter point reconciliation are no longer valid.

Transco proposes that, in line with the acceptance criteria for RbD (Modification 0194), supply points consuming less than 2,500 therms per annum on Connected Systems are included within the RbD mechanism. The detailed arrangements and timetable for achieving this are set out in the Development Workgroup recommendation's.

2. Transco's opinion:

The Development Workgroup Recommendation's are set out below and are supported by Transco.

3. Extent to which the proposed Modification would better facilitate the relevant objectives:

The Workgroup recommendations are intended to ensure that industry costs relating to the management of reconciliation data, and resolution of associated queries for Smaller Supply Points (SSPs) on IPGT Connected System Exit Points (CSEPs) are not dramatically increased. Further, by reducing the volume of data which is held and processed (by including these sites within the RbD mechanism), the risks associated in maintaining a workable regime will be reduced.

The Workgroup recommendations given below have the potential to reduce the complexity of IT systems for new entrants within the domestic market thus lowering entry costs. It enables IPGTs (and consequently Shippers) to simplify processes and reduce transaction costs on Non Daily Metered (NDM) Local Distribution Zones (LDZ) CSEPs.

The recommendations for reconciliation purposes are also intended to ensure that a consistent approach is taken for both customers directly connected to the Transco's system and those connected to IPGT supply points.

The methodology recommended for Larger Supply Points (LSPs) on IPGT CSEPs would also allow the reconciliation values to be included in the RbD, Annual Individual Reconciliation Sector.

Development Workgroup Recommendations

The Development Workgroup recommended the following reconciliation principles to the Network Code Panel which were accepted.

1. NDM meter points at Smaller Supply Points on IPGT CSEPs should be included in the RbD mechanism as soon as reasonably practicable.
2. To adopt a consistent (industry) approach to establishing AQs. Therefore, standard 'initial design AQs', should be used by all PGTs and Shippers in relation to Smaller Supply Points on NDM CSEPs.
3. NDM Smaller Supply Point AQ updates should be made on a daily basis (rather than the current monthly process for updating Connected System Annual Quantity (CSAQ)). The daily processing of CSAQ information is a prerequisite for inclusion within the RbD process and the NDM NExA should be modified to include these provisions.
4. For the purposes of NDM CSEP reconciliation, the transportation charge adjustment (to the LDZ commodity rate) should be set at 25% of the commodity rate for Smaller Supply Points consuming less than 2,500 therms per annum, which are connected directly to the Transco system.
5. The reconciliation value, for the period prior to the introduction of RbD from 01 March 1996 to 31 January 1998, shall be deemed to be zero.
6. An 'interim' reconciliation methodology be adopted for the period 1 February 1998 until CSEPs can be incorporated in RbD. The Workgroup anticipate that CSEPs are unlikely to enter the RbD mechanism until late 1999, Subject to UK Link committee approval.
7. For meter points at Larger Supply Points on CSEPs, individual meter point reconciliation shall be undertaken from 1st February 1998.
8. Audit of IPGT (RbD) processes will need to be conducted in line with the criteria established for Transco RbD and Larger Supply Points on CSEPs generally. This will be captured within a Network Exit Agreement between Transco and the IPGTs.

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

a) implications for the operation of the System:

Transco is not aware of any such implications.

b) development and capital cost and operating cost implications:

Development costs, as a result of changes to the UK Link system, will be incurred during the implementation of this proposal.

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 intend to recover any costs other than those provided for in the Transportation Statement.

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

Transco is not aware of any such consequences.

5 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 consequences.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users:

The recommendations, if accepted, will be implemented via the Modification process (with a transitional process) to allow meter points at Smaller Supply Points on IPGT CSEPs to enter the RbD mechanism. Consequently, changes will be required to Transco systems (both on and off-line). Change requirements to Relevant Shipper systems have not yet been identified. It is anticipated that the full solution will require additional system functionality for Transco, IPGTs and domestic Shippers. The extent of these changes to Transco systems are to be scoped and will be developed via the UK Link Committee (to include IPGT representation where necessary).

7. The implications of implementing the Modification Proposal for Users:

In the domestic market, meter point reconciliation is regarded by the Workgroup as being a high cost, low transactional value process. This Modification proposal removes the requirement to reconcile each meter point for smaller supply points on CSEPs and so potentially reduces costs for users.

a) Administrative and operational implications.

There are no additional administrative or operational implications for Shippers on CSEPs where meter point reconciliation is in force. Indeed, they will be reduced since, as a result of these proposals Smaller Supply Points will be reconciled in aggregate.

b) **Development, capital cost and operating cost implications for Relevant Shippers of implementing the proposal:**

Change requirements to Relevant Shipper systems have not yet been identified.

c) **Consequence of implementing the Modification Proposal on the level of contractual risk to Relevant Shippers:**

Transco is aware that domestic Shippers may face an increased level of risk, if an audit provision is not agreed between Transco, the IPGT's and the relevant CSEP shippers.

8. **The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Storage Operators, suppliers, producers and, any Non-Network Code Party:**

Transco is aware that other IPGTs may have development work to carry out in order to implement this modification.

9. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal:**

Transco is not aware of any such consequences.

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

Advantages

This modification will prevent Relevant Shippers and Transco having to commit resources to implement a programme that will require the individual reconciliation of meter points at Smaller Supply Points on individual CSEPs. This could help reduce costs and reduce the number of data transactions for all parties involved in shipping to CSEPs.

Disadvantages

The cost of the necessary development work.

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

Representations have been received from two IPGTs and one shipper, broadly supporting this Modification. One IPGT highlights the benefits of the Modification proposal, these being; a reduction in processing costs for shippers, suppliers, Transco and IPGTs for Smaller Supply Points on CSEPs. The IPGT goes on to say the Modification 'places more direct control of the reconciliation process for CSEP Supply Points with Transco, which will ensure that more

of the processing is carried out, in a standard, consistent manner, which provides a level playing field for the reconciliation of all domestic customers’.

Both IPGT’s comment on the need for Transco to provide a firm date for when Transco’s system will fully support RbD, whilst all representations comment on the need for industry agreed initial AQ values.

Transco Response:

Transco agrees with the representations that have been received and supports the Workgroup recommendations.

Transco with the support of IPGT’s and shippers are discussing initial AQ values and are in the process of identifying solutions. Subject to the NExA being signed (January 1999), implementation timescales will be discussed and agreed at this stage.

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

Not applicable.

13 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.

14 Programme of works required as a consequence of implementing the Modification Proposal:

Full scope to be decided by the UK Link Committee.

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

- a) Retrospectively from February 1998 for the interim proposals.
- b) The implementation of SSPs on CSEPs into the 'RbD' mechanism is to be released into UK Link functionality in September 1999.

16 Recommendation concerning the implementation of the Modification Proposal:

Transco and the Development Workgroup recommend that the Network code is modified as detailed in this report.

17 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.

18 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.

19 Text:

See accompanying document.

Signed for and on behalf of Transco.

Signature: 

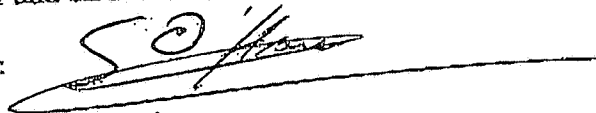
Tim Davis
Manager, Network Code

Date: 4 August 1999

Director General of Gas Supply Response:

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporter's Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference 0216, version 1.0 dated 15/12/98 be made as a modification to the Network Code.

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

Signature: 

Date: 11/8/99

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

, in accordance with the

Signature:

Process Manager - Network Code
Transco

Date:

ANNEX

Restrictive Trade Practices Act - Suspense Clause

For the purpose 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 arrangements is subject to registration under the Restrictive Trade Practices Act 1976 shall not come in to effect:
- (i) if a copy of the Agreement is not provided to the Director General of Gas (the "director") within 28 days of the date of which the Agreement is made; or
 - (ii) if, with 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 Act (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 arrangements is subject to registration under the Restrictive Trade Practices Act 1976 shall not come in to effect until the day following the date on which particulars of this Agreement and of any such arrangements 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.