

Revised Modification Report
URGENT Modification Reference Number 0258

Liabilities for failure to allow Aggregation of Meter Points

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 agreed that this Modification Proposal should be treated as Urgent because the projected deadline for delivery of a systems solution had expired and Transco had not made alternative proposals.

2. Procedures Followed:

Transco and Ofgas agreed the following procedures for this Proposal;

Modification Proposal to Ofgas	13 August 1998.
Ofgas decision regarding urgency	19 August 1998.
Close out for Shipper representations	4 September 1998.
Final Modification Report to Ofgas	5 October 1998.

Following its initial submission, Transco has agreed to revise and re-submit this Final Modification Report.

3. The Modification Proposal:

The Network Code allows for Meter Points be aggregated where they meet acceptable criteria as defined. This includes mixtures of sites which are domestic users with those which are 1&C. The facility is systematised within Transco's UK-Link system, and originally functioned properly.

However, when Transco set up several database partitions as part of the roll-out of Domestic Competition, the functionality stopped working across the partitions. Shippers were therefore given erroneous rejections of valid nominations.

Shippers therefore incur an additional overhead in identifying these rejections and re-inputting the data by manual means to Transco.

When the issue was initially identified, it was agreed that a manual workaround was acceptable as a temporary measure, and that existing liabilities would apply and that Transco would resolve the problem by May 1998. Transco has failed to correct this problem, despite having been aware of it for over 9 months, and have no proposed date for resolving it.

With immediate effect, Transco should be required to make a liability payment of £10/nomination to a shipper required to use the manual intervention process, until such time as the automated process is back working properly.

4. **Transco's opinion:**

The drive for early implementation of Domestic Competition Phase III was a priority industry requirement. Transco identified that accelerated roll out of competition could be achieved by introducing a partitioned Sites & Meters database on physically separate servers. Of necessity, a number of assumptions had to be made. One of these was that the number of I&C/domestic aggregations would be limited and therefore could be catered for by an interim manual procedure prior to development of a systems solution enabling movement of data across partitions (I&C 'M' numbers are currently located on a separate server). Transco has subsequently identified that the provision of such functionality is technically difficult and if implemented would present an unacceptable risk to the integrity of UK-Link. When compared with a declining number of requested aggregations in this category, (250 requests have been received since 1 March 1998), such expenditure is neither economic or efficient.

This Modification Proposal is not in itself a solution to the problem but is intended to incentivise Transco to develop a robust procedure to deal with the aggregation of industrial & commercial with domestic meter points.

Transco is developing a manual solution which enables shippers to carry out aggregations of I&C and domestic meter points. On this basis, Transco contended that the modification was not required.

The measures to be taken are supported by the SPA/Metering Workstream and are summarised as follows:

- Transco will proactively identify requests for the aggregation of an I&C and domestic Meter Point and notify the nominating shipper.
- Transco will ensure that the aggregation request is facilitated by the creation of a new domestic 'M' number on the I&C sites & meters database partition. This will require the old 'M' number to be transferred to a holding account and rendered redundant. Transco will, in addition, undertake appropriate aggregation checks and notify shippers of the outcome.
- If the aggregation request is valid, shippers will be able to nominate and confirm the required configuration.

The above process will ensure that provided the appropriate procedures are followed in respect of a request to aggregate an I&C and domestic meter point, a valid nomination offer will be output.

Transco believes that the introduction of a new liability 'to incentivise Transco to resolve this breach of the Code' introduces a new concept which merits substantive debate before it is accepted as a feature of the Network Code. This is that a liability would be appropriate because of the way in which a service is being provided, ie, that the service is provided through a manual process rather than being systems based.

Transco's concern is consistent with the existing position in the Network Code - Section V8.1.1(b) which states that 'no party shall in any circumstances be liable in respect of any breach of the code, the Framework Agreement or an Ancillary Agreement to any party for:

(i) any loss of profit, loss of revenue, loss of use, loss of contract, loss of goodwill, or increased cost of working ...'.

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

Transco does not believe that this Modification Proposal facilitates the relevant objectives for the following reasons:

- Transco has identified that it is neither economic or efficient to provide a fully systematised solution for the limited number of occasions on which an I&C/Domestic aggregation will occur. With the support of the SPA/Metering Workstream, Transco therefore proposed a semi-manual process which will facilitate such aggregations.
- The modification provides no incentive for the securing of effective competition between relevant shippers.

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

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

Not applicable.

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

This Modification Proposal would establish a cost to Transco of £10.00 per valid I&C/domestic aggregation request.

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:**

Not applicable.

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:**

If implemented, this Modification Proposal would represent an important dilution of the 'no consequential loss' principle (Principal Document Section V8) introducing potentially significant risks to all parties.

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

The implementation of this Modification Proposal would establish a precedent by implying that Transco and shippers' systems should be developed regardless of cost/benefit considerations.

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

If implemented, this Modification Proposal would represent an important dilution of the 'no consequential loss' principle potentially introducing significant risks to contracting parties.

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:**

If implemented, this Modification Proposal would subtly alter Transco's contractual relationship with shippers by introducing additional risks through dilution of the 'no consequential loss' principle.

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

Advantages:

Shippers will receive a payment in respect of each proposed aggregation of I&C and domestic meter point.

Disadvantages:

This proposal does not provide a solution to facilitating the aggregation of industrial & commercial and domestic meter points.

If implemented, this Modification Proposal would diminish the ‘no consequential loss’ principle and introduce additional contractual risks to all parties. In establishing this, precedent, there is an implication that Transco and shippers’ systems may need to be developed regardless of any cost/benefit considerations.

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 in respect of this Modification Proposal, from the proposer. It was supportive of the objectives.

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):**

In view of Transco’s recommendation, no implementation timetable is proposed. Subject to Ofgas direction, however, this Modification Proposal can be implemented without delay.

18. **Recommendation concerning implementation of the Modification Proposal:**

Transco recommends that this Modification Proposal should be rejected. Transco has at Ofgas’s request, however, provided the relevant legal text which would be required if the Modification Proposal were to be implemented.

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 not to modify the Network Code and Transco now further seeks agreement from the Director General in accordance with this report.

21. Text provided pursuant to Rule 9:

Section G - Supply Points

Renumber G.4.10 (on Mod 204) to G.4.11.

G.4.10 Rejected Supply Point Nominations

G.4.10.1 Where:

- (a) the Proposing User submitted a Supply Point Nomination in accordance with the requirements of this Section G; and
- (b) the Single Premises Requirements is satisfied; and
- (c) as a result of a failure of the UK-Link System to aggregate Supply Meter Points a Supply Point Nomination submitted by a Proposing User is rejected.

then paragraph G.4.10.2 shall apply.

G.4.10.2 Where this paragraph G.4.10.2 shall apply Transco will (subject to the further provisions of the Code) pay to the Proposing User an amount of £10 for each Supply Point Nomination incorrectly rejected in the manner set out in paragraph 4.10.1(a).

G.4.10.3 For the purposes of Section V13, the rule in paragraph 4.10.2 is a Compensation Rule within Compensation Group B; and in relation thereto the "payment month" is the second month following that in which

the Supply Point Nomination was incorrectly rejected in the manner set out in paragraph 4.10.1 (a).

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date: 14.4.99

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 0258, version 2.0 dated 14/4/99 be made as a modification to the Network Code.

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

Signature:

~~Andy Frewin~~ ROSALIND COLE

Date: 15/6/99

The Network Code is hereby modified, with effect from 1 August 1999, in accordance with the proposal as set out in this Modification Report, version 2.0.

Signature:

Process Manager - Network Code
Transco

Date: 3/8/99.

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.