

**Final Modification Report**  
**Modification Reference Number : 0264**  
**"Calculation of Estimates between Pre and Post Transfer Reads"**

This Modification Report is made pursuant to Rule 7.4 of the Modification Rules and follows the format required under Rule 8.12.4.

**1. The Modification Proposal:**

Review Group 0065 "Opening Meter Reads" considered the following issues relating to the opening reads process:

- i) The requirement for opening reads for NDM sites on reconfirmation;
- ii) Improvements to the quality of estimated reads.

The recommendations for Item (i) were implemented via Modification 0146 "Suppression of unnecessary Opening Reads at NDM Reconfirmed Sites".

For Item (ii), the Group identified that Transco currently receives significant numbers of opening reads that have been taken outside the read window, or taken within the read window but not submitted until after D+7. In the I&C market, Transco's MRA's obtain on average an additional 5% of reads marginally outside the read window. It was felt that utilisation of these reads would significantly improve the quality of the opening reads.

To improve the quality of the estimated reads, the Review Group recommended the following changes:

- i) Allow Transco to use "post transfer reads", when provided by D+10, to calculate an estimate.
- ii) There should be a cut-off point at D+10 for submission of post transfer reads to be used to back-calculate estimates. Where no actual read is received by D+10 a "backstop" estimate will be generated and provided to the relevant Shipper, as specified currently under the Network Code.
- iii) Remove the current requirement in the Network Code that prevents Transco issuing an estimate earlier than D+10. This would enable Transco to issue estimates at the point they are calculated i.e. when a "post transfer read" is received and not wait until D+10.
- iv) Allow Transco, on a reasonable endeavours basis, to accept reads obtained within the required date range but not provided until after D+7. It should be noted that reads still need to be provided by D+10.
- v) Late opening reads taken outside the read window and used to back-calculate estimated opening reads for the actual transfer date will be stored as information reads.

2. **Transco's opinion:**

Transco recognise the concerns raised with the current Opening Meter Read procedure and are comfortable with the changes recommended.

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

This modification potentially reduces the number of times Shippers need to use the Agreed Reads Process which is costly and time consuming for all parties. Therefore, implementation of this proposal will better facilitate Transco's requirement to operate an economic and efficient system.

4. **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:**

There will be development costs associated with Transco's computer systems. However, the impact on operational costs is negligible.

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:**

None identified

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:**

As with all systems implementation initiatives, some risk will apply with regard to deliverability of the changes although these are mitigated by the application of an extensive development and testing programme by Transco.

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

The modification requires changes to the functionality of Transco's UK-Link System (UK-Link Change Request 2360) but Transco believes there should be no impact to relevant Shippers computer systems.

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

This proposal will potentially reduce the number of times Shippers need to use the Agreed Reads Process. This process is both costly and time consuming for all parties to administer.

Relevant Shippers will need to implement internal procedures and processes to support the new facility.

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

None identified.

9. **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:**

None identified

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

Advantages:

- The proposed modification to the Network Code will provide a greater opportunity for Shippers to submit actual reads and improve the quality of the estimated read process.
- It will potentially reduce the number of times Shippers need to use the Agreed Reads Process which is both costly and time consuming for all parties to administer.
- Potentially provide earlier settlement of final accounts.

Disadvantages:

- Non implementation of internal procedures and processes by relevant Shippers to support the new facility will hinder improvement to the quality of the estimated reads process.

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

Five representations were received in respect of this modification proposal of which three Shippers were supportive; one shipper would support this modification on the condition that the proposed draft legal text for Section M which read "Amend Section 3.8.2 (ii) should actually read "Amend Section 3.8.4"; and one registered no objection to the contents of the modification providing the draft legal text was corrected to read as indicated above.

Transco agree with the amendments suggested by the two Shippers and have amended the proposed legal text accordingly.

One respondent further comments that whilst this modification should help to reduce the volume of Shipper agreed reads they are concerned that there will be no incentive for Shippers to provide readings if they still incur charges for not providing the reading. Therefore, this respondent suggests that to incentivise Shippers to provide readings on time but taken outside the read window, Transco should consider halving the liabilities in these circumstances.

Transco would respond that there are no "liabilities" associated with Domestic Opening Reads. However, Shippers do face a charge for provision of an estimated domestic opening read where their read performance fails to reach 90%. This charge, which was implemented after an industry consultation and not disapproved by Ofgas, is applied on a monthly basis and provides an incentive for Shippers to read meters in the correct read window and to deliver them to Transco in a timely manner.

Transco believe that the proposal to reduce the charge in circumstances where meter readings are not provided in accordance with the Network Code conflicts with the primary reason for applying such a charge.

It is, however recognised that there are industry benefits in utilising meter readings taken outside the read window to improve the accuracy of estimates, although Transco believes this should not weaken the incentive to take readings within established timescales.

Any amendment to the charging methodology would need to be subject to the pricing consultation process set out in the PGT Licence. Whilst it is not in the remit of this Modification Proposal to address the application of such charges, Transco believes that it would be worthwhile raising the issue for debate with Shippers. Transco

therefore propose to raise this issue in the January 1999 SPA/Metering workstream meeting.

**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:**

The introduction of new Systems functionality to Transco's UK-Link System (UK-Link Change Request 2360).

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

The modification should be implemented as soon as possible.

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

That this modification is implemented.

**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 provided pursuant to Rule 7.3**

SECTION M: SUPPLY POINT METERING

Amend Section 3.8.4:

"..... with paragraph 3.8.2 (i) but may (though shall not be required to) accept a Valid Meter Reading obtained in accordance with paragraph 3.8.2 (i) as an Opening Meter Reading if provided to Transco not later than 16:00 hours on the 10th Business Day after the Supply Point Registration Date".

Amend Section 3.8.5 (a):

"a notional Meter Reading will be used for the purposes of Individual NDM Reconciliation in accordance with Section E6.1.6 (and for the purposes of calculating such notional Meter Reading Transco may utilise any Meter Reading provided by the Proposing User where provided to Transco not later than 16:00 hours on the 10th Business Day after the Supply Point Registration Date)",

Amend Section 3.8.5 (b):

"and Transco will not later than 15 Business Days after .....".

11:58 FAX 01217111451

TRANSCO NET CODE DEV

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Signed for and on behalf of Transco.

Signature:



**Tim Davis**  
Manager, Network Code

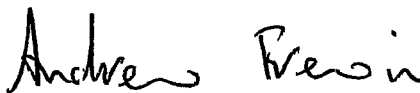
Date: 23 December 1998

**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 0290, version 1.0 dated 21/12/98 be made as a modification to the Network Code.

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

Signature:

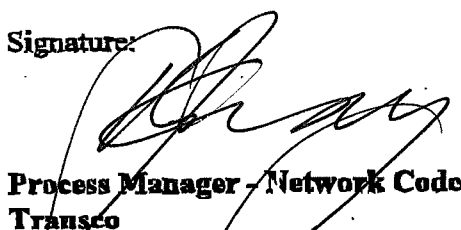


**Director of ~~Transportation Regulation~~ Consumer Affairs and Licensing**

Date: 19 January 1999

The Network Code is hereby modified, with effect from 31 January 99, in accordance with the proposal as set out in this Modification Report, version 1.0.

Signature:



**Process Manager - Network Code**  
**Transco**

Date: 20/1/99

## 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.