Draft Modification Report
New Network Code Validation Rules
Modification Reference Number 0439

Version 1.0

This Draft Modification Report is made pursuant to Rule &.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

It is proposed that the requirements of paragraph M1.5.3 should be suspended for a temporary period and that, simultaneously Version 1 of the Network CodeValidation Rules (NCVR) be replaced with Version 3 (as attached).

Transco would envisage that Version 3 would apply for an interim period pending the Network Code Validation Rules Sub Committee development of appropriate NCVR for the longer term. To facilitate this envisaged further development the provisions of M1.5.3. would be suspended until 30th June 2001. This will allow for a considered view of all relevant aspects pertaining to the liberalisation of metering arrangements, and will provide sufficient lead time for any broader revised set of Validation Rules to be fully considered and developed.

2. Transco's Opinion

In the course of work carried out in preparation for metering liberalisation Transco has become aware that the Network Code Validation Rules (NCVR) in use since March 1996 are slightly different, as regards the temperature and pressure correction factors, from those published as Version 1. Temperature and pressure parameters are included in the NCVR to provide a check on the accuracy of the corrector equipment fitted on site.

The practical consequences of this are that Transco has accepted more DM reads than would have been the case had the values in Version 1 been fully implemented. In fact Transco would, under Version 1, be required to reject a significant proportion of all DM reads each day and replace them with substitute reads obtained seven days earlier (D-7). Transco believes that as the on-site equipment is extremely accurate and the test prescibed in Version 1 is too exacting, the widespread disruption likely to result from application of Version 1 would be unjustifiable and to no good purpose.

It is therefore Transco's view that it is the test which is at fault and not the reads themselves, and that application of Version 1 would be unsatisfactory for the industry.

During shipper meetings on 4th and 11th September a new two tier pressure and temperature test was evolved and proposed to replace the corresponding test in the NCVR. This modifiction to the Rules was further discussed and ratified in the Network Code Validation Rules Sub-Committee in its meetings of 16th October and 1st November. It is now incorporated in the proposed Version 3 of the Rules

(see attached) which Transco is seeking to implement by way of this Modification Proposal.

The Network Code provides a mechanism for changing the NCVR in section M paragraph 1.5.3. This requires a three month notice period to be given by Transco before any revision can come into effect. In late September 2000, Transco gave notice under this section that it would implement Version 2 (incorporating the pressure and temperature test actually applied since March 1996) of the NCVR. This notice period expires on 3rd January 2001.

For the avoidance of doubt, Transco wishes to implement Version 3 as recommended by the Validation Rules Sub-Committee without delay and in preference to either Version 1 or 2.

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

Transco believes that implementing the proposed Version 3 of the Rules, would better facilitate the relevant objectives of economic and efficient operation and the promotion of competition, when compared to the alternative of implementing Version 1.

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

a) implications for the operation of the System:

Implementation of Version 3 will avoid the potential for adverse energy balancing impacts which could arise were Version 1 to be implemented.

b) development and capital cost and operating cost implications:

There is a relatively small Transco systems development cost associated with the implementation of Version 3.

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 propose any special cost recovery in respect of this proposal.

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

As Transco is presently in technical breach of the Network Code implementation of this proposal would remedy this position and as a result Transco's contractual risk would be diminished.

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

Other than the relatively minor changes to its own systems, Transco is not aware of any implications for computer systems.

7. The implications of implementing the Modification Proposal for Users

The proportion of DM reads failing validation is expected to marginally increase.

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 not aware of any such implications.

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

By introducing a workable set of industry agreed Rules, this proposal would remedy the present situation in which Transco finds itself applying parameters outside the contractual requirements.

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

Advantages:

Version 3 has been agreed by the Validation Rules Sub-Committee as incorporating a workable set of pressure and temperature correction factors. Implementation of either Version 1 or Version 2 will be avoided.

Disadvantages:

Transco is not aware of any disadvantages associated with this proposal.

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

Representations are now invited.

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

Implementation is not required for legislative reasons.

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 License

No such methodology change is involved.

14. Program of works required as a consequence of implementing the Modification Proposal

With the exception of relatively minor systems changes no works are required.

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

Transco proposes implementation to be effective immediately upon receipt of Ofgem direction.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation without delay.

17. Text

M1.5.3 Transitional Document Part II

Paragraph 8.10.1. delete and insert new paragraph 8.10.1 as follows

"8.10.1 M1.5.3 Until 30th June 2001 (but not thereafter) the Network Code Validation Rules shall be treated, for the purposes of securing that they may be modified only by way of a Code Modification, as forming part of the Code".

With effect from the implementation date, the Network Code Validation Rules applicable for Code purposes will be those comprised in the Network Code Validation Rules dated November 2000, Version 3 a copy of which is attached herewith.

Note : The only proposed change between Version 1 and Version 3, is the amended Table 3 (Corrector Tolerance Limits) on page 9 of the attached document.

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code Development

Date: