

Modification Report
Failure to obtain Meter Readings - Removal of PGT obligations to procure meter readings with respect to Annual Read Meters.
Modification Reference Number 0406
Version 2.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

Modification of the Network Code is proposed to remove Transco's existing reasonable endeavours obligation to procure a meter reading where a User fails to comply with Section M3.5.1(i) in circumstances where the meter is a Relevant Annual Read Meter.

2. Transco's Opinion

Transco is required to use 'reasonable endeavours' to procure meter readings where a User fails to meet its Network Code obligations (M3.5) to obtain a Valid Meter Reading with respect to an Annual Read Meter at least once every two years, for which the shipper will be charged. This requirement is commonly termed a 'must read' and was originally incorporated in the Network Code to ensure maintainance of the integrity of data supporting the Annual Quantity (AQ) derivation and Non-Daily Meter (NDM) reconciliation processes.

For clarity it is important to draw a distinction between a Meter Inspection as defined by the Supplier Licence Condition 23 and a Network Code 'must read'. When it is necessary for Transco to obtain a 'must read', the implication is that a supplier may already be in breach of Condition 23 of its licence which stipulates that a supplier should undertake a Meter Inspection (including a meter reading) at least once every two years. Transco undertaking its current Network Code obligation and procuring a 'must read' does not discharge the supplier's licence obligation to undertake a Meter Inspection. Meter readings are required under the Network Code for the purposes of NDM reconciliation and AQ calculation. With the introduction of RbD in February 1998, with respect to Supply Points <73,200 kWh, meter readings are required solely for AQ derivation.

As suppliers already have obligations (via their shippers) to furnish Transco with meter readings as part of undertaking a Meter Inspection, Transco believes that the requirement for it to procure 'must reads' with respect to Annual Read Meters is redundant.

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

The present Network Code obligation on Transco to procure annual meter readings where a User has failed in the timely provision of such readings as

required by Code is neither efficient nor economic. Transco's view is that the potentially high industry cost associated with this now redundant activity and the limited value of such data is not consistent with its relevant objectives.

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

a) implications for the operation of the System:

None identified.

b) development and capital cost and operating cost implications:

None identified.

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:

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

None identified.

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

None identified.

7. The implications of implementing the Modification Proposal for Users

None identified.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System 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 User 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:

Unnecessary shipper costs in managing the 'must read' process and reimbursing the PGT are removed.

Unnecessary PGT costs associated with procuring 'must read' meter readings are avoided.

Focuses industry attention on compliance with Supplier Licence obligations for undertaking Meter Inspections.

Disadvantages:

None identified.

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

Six representations were received with respect to this Modification Proposal. Of these, five are supportive and one offers qualified support.

Two respondents express the view that although Transco will not be pursuing 'must reads' it should continue to monitor the performance of shippers in the provision of reads and report those shippers not meeting their Network Code requirements to Ofgem. Transco's response is that monitoring of Section M3.5.1(i) will continue to ensure sufficient reads are provided to Transco for the derivation of AQs.

Two respondents comment that Transco must be able to provide robust and reliable notifications to shippers with regard to when Meter Inspections are due. Transco's response is that Meter Inspection notifications will continue to be sent via the Information Exchange Network (IX'N) as now. Further efficiency developments in this area are planned.

One respondent seeks clarification in respect of how an incoming supplier is notified of the need for a Meter Inspection to be carried out imminently when a supply point transfer takes place within the four month notification window.

Transco's response is that the current Meter Inspection notification process already caters for sites that transfer supplier during the four month notice period by providing the new supplier with a revised notice period of five months (PGT Licence Condition 23(5)).

One respondent requests clarification with regard to the scope of the Modification. It states that the title appears to include Supply Points with an AQ up to 293,000 kWh (Annual Read Meters) whereas the text implies Supply Points up to 73,200 kWh. Transco's response is that the text of the Modification and legal drafting are clear in that the scope includes all Annual Read Meters. The proposed Network Code drafting refers to removing 'or 3.5.1(i)' and 'or (as the case may be) Annual Read Meter' from paragraph 3.6.1.

The respondent comments that for the avoidance of doubt, it is prepared to offer support to the Modification in respect of Supply Points with AQs below 73,200 kWh, but not those with AQs between 73,200 kWh and 293,000 kWh. Transco's response is that the justification for the Modification is equally robust whether the threshold is above or below 73,200 kWh. All such meters are Annually Read from a Network Code perspective and as shippers have a licence obligation to procure a Meter Inspection within two years, the meter should have been inspected and read prior to any 'must read' being procured. Transco believes the respondent is basing its concerns on the impact of it failing to procure meter reads for Supply Points above 73,200 kWh which are subject to individual meter point reconciliation. Transco suggests that such concerns are a matter for the 'NDM Meter Reading Unbundling Sub-Group' which is considering the introduction of a new read frequency for such sites. Transco firmly believes that this Modification Proposal should be applied to all Annual Read Meters.

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

This proposal is not required to facilitate such compliance.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) or the statement furnished by Transco under Standard Condition 3(1) of the Licence

This proposal is not required to facilitate any such change.

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

No works are required to implement the proposal.

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

This Modification Proposal may be implemented with immediate effect.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal be 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

SECTION M Paragraph 3.6

Paragraph 3.6.1. Delete the following :

“or 3.5.1 (i)”

“or (as the case may be) Annual Read Meter”

Paragraph 3.6.1 (a) Delete and substitute :

“(a) Transco will, unless it appears to Transco (in its sole discretion) that the circumstances are such that it would be inappropriate to do so, use reasonable endeavours to obtain a Meter Reading from such Monthly Read Meter;”

Paragraph 3.6.7 (iii) Delete “or 3.5.1 (ii).”

End of Text

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date:

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 **0406**, version **2.0** dated **21/07/2000**) be made as a modification to the Network Code.

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

Signature:

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

Signature:

Process Manager - Network Code
Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement 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 paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriate

provided that if the Director does not so approve the Agreement then Clause 3 shall apply.
2. If the Director does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Director does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Director would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Director pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.