

**Modification Report**  
**Modification Reference Number 0091**  
**Opening Read Process - Tolerance Checking**

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 Urgent

In accordance with Rule 9.2(a) Ofgas has agreed that this modification should be treated as URGENT in order to allow implementation in time (if approved) to facilitate the next phase of Domestic Competition scheduled for 10 February 1997.

2) Procedures Followed

TransCo agreed with Ofgas (and has followed) the following procedures for this Proposal:

Modification Proposal circulated	Tuesday 5 November
Close-out for representations	Tuesday 19 November
Modification Report	Wednesday 27 November
Decision anticipated by	Monday 2 December

3) The Modification Proposal;

The agreed arrangements for the provision of opening reads in the Domestic Market Phase 1 were that Shippers would arrange for the reads to be taken and would then submit these reads to TransCo(MR) who would then process the reads as if TransCo(MR) had obtained the read. The Validation Rules require TransCo(MR) to reject opening reads that fail the tolerance check. The Modification Proposal is thus to amend the Validation Rules as they apply to TransCo(MR). As this is being done on less than the 3 months notice that is presently required a Network Code Modification is required to permit this.

The Validation Rules will be amended to say that opening reads will not be rejected if it fails the tolerance check where the basis for such tolerance check is a default AQ or a default 1 March read. Reads that fail the tolerance check will be marked as having failed the tolerance check.

The Modification will also formalize the agreed arrangements whereby TransCo(MR) receive opening reads from Shippers and then process these reads.

4) TransCo's Opinion;

Tolerance checking of opening meter reads is based on comparison with estimates generated using the meter point AQ and the previous meter read. For Domestic Competition Phase 1 there were a large number of default meter point AQs and default 1 March reads held by TransCo as a consequence of poor quality data being provided to TransCo. Tolerance checking based on estimates generated using these default AQs/meter reads led to a large number of rejected opening reads. This in turn led to estimated

opening reads being provided derived from default AQs/meter reads, with the subsequent implications for meter read queries and consumer billing. While some meter reads were being properly rejected, the balance of opinion is that greater problems were created by inappropriately rejecting reads than would have been caused by a failure to reject the read.

This modification would mean that opening reads would not be inappropriately rejected. However, the reads will be clearly marked as having failed the tolerance check.

5) Extent to which the modification would better facilitate the relevant objectives;

One of the lessons learnt from Domestic Competition Phase 1 was that great confusion arises in the market, particularly with consumers, if they receive invoices based on estimated reads where an actual read has been taken. In order to facilitate Domestic Competition actual reads should be used wherever possible.

6) The implications for TransCo of implementing the Modification Proposal , including:

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

Not applicable

b) development and capital cost and operating cost implications

There will be some systems development costs in implementing 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;

An allowance has been made within TransCo's cost base for developments associated with the implementation of domestic competition.

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

There would be no additional consequences on price regulation as a result of implementing this proposal.

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;

The removal of rejection based on tolerance checking for meter points having a default AQ may have an impact on the TransCo meter reading service. Poor quality data, that may have been addressed as a result of tolerance checking rejection of an opening read, will affect the validation of TransCo obtained cyclic reads, increasing the level of rejections and hence the level of risk for liability payments.

8) The development implications and other implications for computer systems of TransCo and related computer systems of Relevant Shippers;

TransCo's computer systems will need to be modified in order to implement the proposal. It is anticipated that this can be achieved for the start of Domestic Competition Phase 2.

No specific implications for Relevant Shipper's computer system have been identified, and none would be anticipated.

9) The implications of implementing the modification for Relevant Shippers,

All Shippers will benefit from this modification to the extent that there will be a greater probability that an actual opening read will be obtained rather than an estimated opening read. If poor quality reads are provided by Shippers, and not picked up by tolerance rejection, then this could impact on the service they receive for cyclic reads from TransCo(MR).

10) The implications of implementing the modification for terminal operators, suppliers, producers and any non-Network Code Party;

Suppliers will have a greater degree of certainty that actual opening reads are used, rather than estimated opening reads.

11) Consequences on the legislative and regulatory obligations and contractual relationships of TransCo and each Relevant Shipper and Non-Network Code Party (if any), of the implementation of the Modification Proposal;

The modification would ensure that a greater number of actual opening meter reads are used. If poor quality reads are provided, which, because of this modification, are not rejected, then this may impact on the quality of meter reading service provided for that meter point and on the level of risk for liability payments.

12) Analysis of any advantages or disadvantages of the implementation of the Modification Proposal;

The main advantage is that there is a greater probability that actual opening meter reads will be used rather than estimated opening meter reads.

The disadvantage is the potential impact on the quality of meter read data held by TransCo, which may subsequently affect its meter reading performance.

13) Summary of the representations (to the extent that the import of those representations are not reflected elsewhere in the modification report;

Of the representations made only Kinetica did not support the proposal. They did not think that the benefits of removing tolerance rejection in these limited cases outweighed the risks of allowing poor quality data onto the system.

Several Shippers commented that TransCo must make every effort to ensure that default AQs and default 1 March reads are minimized for subsequent phases of Domestic Competition.

BGT commented that the modification should only apply for a temporary period.

### **TransCo Response**

The proposal is not to remove tolerance checking but not to reject those reads that fail the tolerance check where default data is used as a basis of tolerance checking. Withdrawing Shippers will know whether the read failed the tolerance check and can then use this as a basis of whether to try to agree an Agreed Opening Meter Reading.

TransCo fully accepts that efforts must be made to improve the quality of data for future phases of Domestic Competition and is working closely with BGT to achieve this.

There will continue to be ongoing reviews of the opening read process and this will lead to future modifications to the process as agreed. Thus TransCo do not accept that this modification should be for a temporary period only.

- 14) The extent to which the implementation is required to enable TransCo to facilitate compliance with safety or other legislation;

Not applicable.

- 15) 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;

Not applicable.

- 16) Programme of works required as a consequence of the implementation of the Modification Proposal;

The necessary system changes will be made by the start of Domestic Competition Phase 2 should approval for this modification be given by early December.

- 17) Proposed implementation timetable;

See 16) above.

- 18) Recommendation for the implementation of the modification;

TransCo recommends that this modification 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 Proposal

This Modification Report contains TransCo's proposal to modify the Network Code and TransCo now seeks a direction from the Director General in accordance with this report.

21) Text provided pursuant to Rule 9

The following text is to formalize the agreed arrangement whereby TransCo(MR) receive opening reads from Shippers and then process the reads.

Transition Document Part V

Add a new paragraph 2.6 as follows:


"2.6 Domestic opening reads

Notwithstanding paragraph 3.5.1(c) (and so that nothing in paragraph 3 shall apply in relation to this paragraph 2.6), it is agreed that:

- (a) TransCo(MR) will:
  - (i) receive from Users (for onward provision to TransCo) Meter Readings obtained by Users in pursuance of Section M3.8.2 in respect of Domestic Meters.
  - (ii) subject such Meter Readings to validation in accordance with the Network Code Validation Rules;
- (b) any such Meter Readings as are not Validated (pursuant to such validation, as though paragraph 2.3.2 applied thereto) will be treated as not having been provided to TransCo for the purposes of Section M."

No legal text is required to agree to modify the Validation Rules on giving less than 3 months notice. This is agreed as a result of this modification being agreed.

Signed for and on behalf of British Gas TransCo.

Signature:   
Date: 27 Nov 96  
Name: P.J. MONK  
Position: NETWORK CODE MANAGER

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 British Gas TransCo that the above proposal be made as a modification to the Network Code.

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

Signature:


Date:

Name:

Position:

The Network Code is hereby modified, with effect from 30 Nov. '96, in accordance with the above proposal.

Signature:



Secretary Modification Panel  
British Gas TransCo

Modification Number 0091

Director General of Gas Supply Response

In accordance with Condition 7(10)(b) of the Standard Conditions of Public Gas Transporters' Licences dated 21 February 1996 I hereby direct British Gas TransCo that the above proposal be made as a modification to the Network Code.

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

Signature:



Date: 29 NOVEMBER 1996

Name: N. NASH

Position: COMPETITION + LICENSING

## 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.