

Modification Report
Modification Reference Number : 0241
"Monthly Must Read Window Extension"

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:
(as originally submitted by BP Gas Marketing Ltd)

"The provisions in the Code require that for Relevant Monthly Read Meters valid meter readings be obtained not less frequently than once every 3 calendar months. Where a reading is not obtained within this period Transco are obligated to obtain a valid reading in accordance with the provisions of Section M. The Registered User is required to make payment to Transco for the obtaining of this read for an amount specified in the Transportation Statement.

It is recognised that obtaining of valid meter readings is an essential part of NDM Reconciliation process. However, throughout the consultations on the Incentive Based Meter Reading Contract and impediments to competition in meter reading it was agreed by a number of Shippers that the potential for excessive "must read" penalties exist and unbundling of meter reading would heighten this risk. It was proposed that the requirement to obtain valid monthly meter readings be extended but the extension not so great as to have a derogatory impact on NDM Reconciliations.

Extending the read window will allow more time, one month, for Transco to notify Shippers of instances where access has been denied or unable to be obtained. It will also provide Shippers with more time to actively follow up these instances with their customers and return revised access information to Transco to enable a read to be obtained within the relevant time period without incursion of the "must read penalty".

2. Transco's opinion:

Transco recognise the concerns raised about the current monthly must read procedure and are comfortable with the changes to the timescales.

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

This modification will better facilitate the relevant objectives by reducing the likelihood of must read charges being levied, thereby reducing a potential barrier to the development of competition in meter reading services.

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:**

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:**

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:**

Transco is not aware of any consequences this proposal would have on price regulation.

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:**

No direct contractual risk identified.

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 in respect of the unbundled service only. Must read processes are currently being developed for the bundled service and no other additional costs are involved as a result of this change.

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

The proposed modification to the Network Code will allow Transco and Shippers more time to deal with sites for which access is a problem, many of which will be vacant and require lengthy investigations to gain access.

Also, 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:**

This proposal will allow more time to deal with sites for which access is a problem. This in turn will potentially reduce the number of must reads and warrants of entry that are required.

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:

Extension of the "must read" period for monthly read meters from three to four months will allow the following benefits.

- Enable Transco to notify Shippers where access has been denied or readings not been obtained.
- Provide Shippers with more time to follow up the above instances with their customers and return revised access information to Transco. This will potentially enable Meter Reading Agents to obtain a reading within the relevant time period without Shippers incurring the "must read charge".
- Reduce the number of applications for warrants of entry therefore reducing Transco charges to Meter Reading Agents.

Disadvantages:

- The proposal could potentially delay reconciliation at some monthly read I & C meter points which in turn could delay reconciliation at domestic meter points through RbD. This issue has been discussed at the RbD Review Group and the Group did not suggest that this concern should delay implementation.

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

Three representations were received in respect of this modification proposal, of which two Shippers were supportive and one registered no objection to the changes proposed.

One Shipper comments that as the must read regime was developed prior to the DM conversion process being cancelled, this issue should be reviewed. Transco acknowledge that following implementation a review would be sensible, however in extending the must read window full consideration has been given to the fact that the DM threshold is 2 millions therms.

The respondent also comments that it may be appropriate to have at least two actual reads taken during the winter period to enable accurate End User Categories (EUC'S) and Winter Average Ratio (WAR) bands. It was also expressed that RbD Shippers could be more confident that more reads (to be established) would be secured during the Winter period when there is more potential for allocations to differ from actual consumption. Transco concur that it would be preferable for two actual reads to be obtained during the winter period. However as with the existing regime there is no guarantee that this will happen. This proposal does not improve that situation. However, to avoid default WAR bands it is in Shippers interest to provide meter reads. Transco recommend that this aspect should be reviewed following implementation.

One Shipper refers to concern over the must read penalty and is "keen to see any evidence that the risk of incurring this charge increases where a Shipper uses an alternative meter read service". Transco would respond that the must read window is the same for unbundled and bundled Shippers. However, as no Shippers have unbundled their I&C portfolio, there is no data available to do a comparison.

The respondent further comments that while they agree that the relevant objective being facilitated is to promote competition, they believe it is competition in supply that is being promoted and not competition in meter reading services. The respondent also raises concerns that certain shippers (or Transco (MR)) may use this to reduce the frequency of actual meter reads obtained which have implications for those exposed to RbD cash-outs. Transco would respond that this proposal does not change the requirement for Shippers to provide meter reads on a monthly basis but is merely allowing greater flexibility in obtaining reads where there are difficulties.

The issue of cash-outs on RbD has been discussed in the RbD workstream. A delayed NDM reconciliation will delay the period over which the RbD reconciliation is processed. This will not ultimately change the quantities reconciled and the view of the group was that the effect on RbD was small compared to the benefits that this modification brings to the Network Code.

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:

Transco are developing automated reports to identify must reads and files for sending the requests to Meter Reading Agencies. However, in the interim period, manual workarounds are in place.

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

This modification should be implemented as soon as possible.

16. Recommendation concerning the implementation of the Modification Proposal:

That this modification is implemented in accordance with the timescales indicated in Item 15.

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:

Principle Document Section M.

Paragraph 3.1. 6 (i) amend to read:

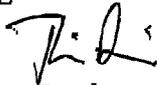
"in the case of a Monthly Read Meter, in the preceding 3 calendar months"

Paragraph 3.4.1 (i) amend to read:

"for each Relevant Monthly Read Meter, not less frequently than once every 4 calendar months"

Signed for and on behalf of Transco.

Signature:



Tim Davis
Manager, Network Code

Date: 6/4/98

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 0241, version 1.0 dated 28/10/98) be made as a modification to the Network Code.

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

Signature:

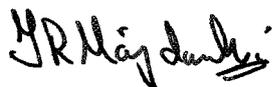


Sean O'Hara
Head of Network Operations

Date: 2/2/99

The Network Code is hereby modified, with effect from 1st March 99, in accordance with the proposal as set out in this Modification Report, Version 1.0.

Signature:



Process Manager - Network Code
BG Transco

Date:

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.