

URGENT Modification Report
Waiver of two month notice period for Pricing Consultation 57 Metering Charges
Modification Reference Number 0404

Version 1.0

This Modification Report is made pursuant to Rule 9 of the Modification Rules and follows the format required under Rule 8.9.3.

Circumstances Making this Modification Proposal Urgent:

In accordance with Rule 9.1.2 OFGEM has agreed that this Modification Proposal should be treated as Urgent because Normal procedures would not allow enough time for Transco to amend metering charges/rebates with effect from 1 July 2000 in accordance with any decision reached in Pricing Consultation 57.

Procedures Followed:

Transco agreed with OFGEM (and has followed) the following procedures for this Proposal:

Issued to Ofgem for decision on urgency	24 May 2000
Proposal agreed as urgent	25 May 2000
Proposal issued for consultation	25 May 2000
Close out for Representations	14 June 2000
Final Report to Ofgem	18 June 2000
Ofgem decision expected	20 June 2000

1. The Modification Proposal

The purpose of this proposal is to allow for the possible implementation of revised metering charges/rebates, as contemplated by Pricing Consultation 57, to be implemented with effect from 1 July 2000.

2. Transco's Opinion

Ofgem is proposing to split Transco's existing price control into three separate controls covering transportation, metering and meter reading activities. These separate controls are expected to determine the maximum allowed revenue for each activity.

Ofgem's proposed split of allowed revenues implies revenue of £407.5 million for metering activities in formula year 2000/01. The present metering charges and rebates imply notional revenue of £267 million for the same formula year. Therefore, so that implied income is in line with the new metering price control, the present metering charges and rebates would need to increase by about 50% on average.

Pricing Consultation paper PC57 proposed changes to the existing metering charges and rebates to make them consistent with the proposed separate price control for metering. As

the proposed separation of the price control is expected to take effect retrospectively from 1 April 2000 it is proposed that the changes to the metering rebates and charges take effect as soon as possible, and 1 July 2000 has been identified as the earliest practical date to introduce the changes.

In view of the above, the Network Code requirement for two months notice of change, as detailed in Section B1.8.2, will not be achievable. It is therefore proposed that the Transition Document should allow for this requirement to be waived in respect of any outcome of Pricing Consultation 57.

If this Modification Proposal is not implemented, Transco will not be able to amend metering charges/rebates from 1 July 2000 in accordance with any decision reached regarding Pricing Consultation 57.

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

For the purposes of facilitating competition in metering, Transco proposes to introduce revised metering charges and rebates as soon as possible. Subject to the views of Ofgem, Transco proposes to introduce revised charges and rebates from 1 July 2000. This timescale requires that, subject to implementation of this Modification Proposal, notice of the new charges is reduced from two months to seven days.

**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:

Implementation of this proposal would facilitate any changes in metering charges, in accordance with Pricing Consultation 57, to be effective from 1 July 2000.

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

Reduced notice period for the introduction of any charges.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and any Non-Network Code Party

Reduced notice period for the introduction of any consequential revisions to charges.

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

Metering charges could be adjusted in a timely manner in accordance with the outcome of Pricing Consultation 57

Disadvantages

Disturbance in the market and increased price instability.
Shortened timescales for Users to amend administrative procedures.

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 all of which were opposed to its implementation. They were concerned that there should be any reduction from two months notice, as this was considered the minimum necessary for the market to plan and adjust administrative procedures for new charges. Respondents

generally did not feel that the potential benefits did not justify the costs of a shortened timetable for changes to charges.

Transco recognises concerns about the process, and accepts that the timescale is very short. However, Ofgem has indicated that it expects Transco to bring its metering charges and rebates into line with the proposed separated price control formula as soon as possible, and 1 July was identified as the earliest possible date when this could be done.

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

If any changes to metering charges arising from Pricing Consultation 57 are to have an effect from 1 July 2000, this proposal is required to enable such changes.

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 is implemented in order to facilitate the introduction of any changes to metering charges arising from Pricing Consultation 57 with effect from 1 July 2000

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

Transitional Document, Part II, Paragraph 8,

Delete paragraph 8.1.1, B1.8 and replace with:

“8.1.1 B1.8 In respect of Pricing Consultation 57 the requirement in Section B1.8.2 that the notice to be given by Transco pursuant to the Transco Licence in relation thereto be given not less than 2 months prior to the proposed date of implementation shall not apply and Transco shall instead give such notice as far in advance of the date on which the proposals contained therein are to be implemented as is reasonably practicable.”

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 **0404**, version **1.0** dated **18/06/2000**) 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 **1.0**.

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.