NETWORK CODE MODIFICATION PROPOSAL No: 0439

"New Network Code Validation Rules"
Version 2.0

Date: 15th November 2000

Proposed Implementation Date: 1st December 2000

Urgency: Non-Urgent

Justification

The Network Code Validation Rules (NCVR) referred to in section M1.5.3 of the Network Code contain a specific test to be applied in validating meter readings where a corrector is fitted. These rules require the operation of tolerance checking within a narrowly specified range. The tolerance test criteria that Transco has applied since March 1996 is a wider test than that contained in the NCVR Version 1.

The purpose of the temperature and pressure criteria in the NCVR is to check that the onsite corrector is functioning correctly. The parameters of this test contained in Version 1 of the NCVR were based upon a relatively small regionally based sample tracking annual variations and, in the absence of any better information, were applied nationally and on a daily basis. This is now widely regarded within the industry as inappropriate with the resulting test not being fit for purpose.

This proposal now seeks to remedy this situation by replacing the NCVR Version 1, with the two-tier approach contained in Version 3 (attached). The two tiers comprise 0.5 to 1.3 (being the range operated since March 1996) and 0.85 to 1.12, (as developed in industry meetings on 4th and 11th September) being added.The Network Code Validation Rules Sub-Committee (established to assess impacts relating to the use of Correctors), has fully assessed the rationale and implications of this proposal and supports the two-tier approach. The attached appendices (1 & 2) set out additional detail in support of this.

Transco believes that, as the proposed Version 3 has been agreed in industry meetings held in September, October and November, there is no requirement to further develop this proposal. Also, although not proposed as Urgent, Transco would urge that this proposal should be dealt with swiftly to ensure it can comply with its contractual obligations. Rapid progression and implementation of this proposal will also remove uncertainty and avoid the possibility of major industry disruption (i.e. significant volumes of valid reads would be contractually invalidated and replaced with estimates) should Version 1 of the NCVR need to be applied.

It is also Transco's belief that this proposal would better facilitate the relevant objectives as compared with the alternative of implementing Version 1.

Note: Version 2 of the NCVR (0.5 to 1.3 range only) is currently due to be implemented on 3rd January 2001 (in the absence of disapproval by Ofgem) under notice issued in accordance with

M1.5.3.. However, should this two-tier modification proposal be implemented before that date Transco would not wish to implement Version 2.

Nature of 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 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

Purpose of Proposal

This Modification proposal will replace NCVR Version 1, with an industry agreed Version 3.

It will also resolve the situation whereby Transco presently applies criteria which are not supported by Network Code contractual requirements. Naturally, it would not preclude further consideration of the most appropriate criteria to be employed for the future. This further development will proceed in parallel and at an appropriate pace.

Additionally all shippers will benefit from Transco's continued operation of an appropriate set of validation criteria which will maintain the confidence required for Demand Estimation, Balancing and End-User Billing activities.

Consequence of not making this change

In absence of this arrangement, Transco may be obliged to apply the criteria within the existing NCVR (Version 1.0). This action would significantly reduce the number of "validated" reads issued to shippers with NDM and more particularly those shippers with DM supply points. The consequences of such an action could detrimentally affect both I&C and Domestic shippers.

Area of Network Code Concerned

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.

Proposer's Representative:

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Proposer:

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Position:

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C**ompany:** Transco

Signature