Modification Report
Supply Metering Unbundling - Non-effective day required for the Review of Gas Metering Arrangements (RGMA) 'cutover'.
Modification Reference Number 0677

Version 1.0

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

It is proposed that Monday 12 July 2004 becomes a Non-Effective day (as defined in Transition Document Part II, Section 9.3.4).

The requirements of a 'non-effective day' are described as follows:

- No revision of the Supply Point Register will be made.
- None of the following Code Communications may be made: Supply Point Nomination, Supply Point Offer, Supply Point Confirmation, Supply Point Objection, Supply Point Withdrawal, request for Isolation, notice of designation as firm or redesignation as Interruptible, application to increase or reduce Supply Point Capacity or Supply Point Offtake Rate.
- No application for Siteworks, or communication pursuant to any Siteworks Contract, or other communication (under the Code or any other contract between Transco and a User) pursuant to which Transco would be required to revise the Supply Point Register, may be made.

NOTE: This Proposal has been de-scoped during the development process. As detailed below, for the purposes of the days referred to in this Proposal, only the Daily Meter Read provision have been affected. The majority of the processes referred to above will remain operational and as such the "non-effectiveness" of the change is strictly limited.

2. Transco's Opinion

This Modification Proposal is one of a suite of, and is complimentary to, seven such proposals relating to the Review of Gas Metering Arrangements (RGMA) programme and numbered 0672 - 0678.

It is anticipated that RGMA 'cutover' will be complete by 06.00 on 12 July 2004. This necessitates the shut down of relevant Transco systems on the evening of 9 July 2004. This is to permit the new metering systems to be implemented and live from 12 July 2004.

The Meter Asset/Work sub-group of the Supply Point & Billing Workstream previously identified that a Network Code 'non-effective' day is required to facilitate systems 'cutover' to the new Review of Gas Metering Arrangements (RGMA) regime. This Modification Proposal was raised incorporating this requirement.

For the purposes of clarity it is important to distinguish a 'non-effective day' from a 'non-business day'. A 'non-business day' is reflected within the exceptions described within Principal Document Sections G1.10.1(i) & (ii) - i.e. those Days which are other than a Network Code Business Day. Users may continue to submit Supply Point Administration (SPA) files on 'non-business days' but any such files would not be processed by Transco. A 'non-business day' additionally does not form part of the Supply Point Confirmation lead time although Supply Point Registration may occur on a 'non-business day'.

In contrast all SPA systems activity is suspended on a 'non-effective day' (a concept which was successfully developed and implemented for the introduction of Domestic Competition Phase III and as a Y2K contingency).

One particular concern associated with the 'cutover' period is that Transco would be unable to issue Daily Meter Readings to Users as required by Principal Document Sections M5.1 and M5.2 until the restoration of relevant UK-Link systems on 12 July 2004. Transco would then issue en-bloc all Daily Meter Readings procured over the previous days. As a consequence, Transco believes that it is appropriate that it should have relief from its 'Performance Relevant Supply Meter' related obligations for 10, 11 and 12 July 2004.

Transco has since identified that its original aspiration, that 10, 11 and 12 July should be 'non-effective days' is no longer necessary and that its SPA system would be working normally over the three days. Transco communicated its position to the March 2004 meeting of the Supply Point and Billing Workstream which was supported by most attendees which expressed a view. Transco has also discussed the matter within the industry 'cutover' group and the UK-Link Committee. This Modification Proposal has therefore been descoped accordingly and is limited to relieving Transco of its obligations under the Daily Meter Reading regime, pertinent to Daily Meter Reading provision to Users (Principal Document Section M5.2).

If this Modification Proposal is not implemented, Transco would be liable for the payment of charges associated with the provision of a service which it is able to state categorically now it would be unable to achieve due to the systems work ongoing at the time.

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

The purpose of this Modification Proposal is to ensure that the Network Code reflects the UK-Link transitional requirements concerned with the separation of Transco's transportation and supply metering activities. This measure is consistent with Transco's GT Licence Relevant Objective of securing effective competition between relevant shippers and between relevant suppliers.

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

a) implications for the operation of the System:

No implications for the operation of the system have been identified.

b) development and capital cost and operating cost implications:

Transco would not incur any costs associated with implementing this Modification 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:

Transco does not propose any additional cost recovery.

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

No such consequences have been 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

Implementation of this Modification Proposal would not result in an appropriate decrease in the level of Transco's contractual risk bearing in mind the degree of systems change coincident with the period.

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

RGMA 'Cutover' features large scale systems changes for Transco and Users. Users would need to ensure that systems measures are in place to receive Daily Meter Readings pertinent to the RGMA 'cutover' period immediately following its conclusion.

7. The implications of implementing the Modification Proposal for Users

Users would need to be aware that they would receive Daily Meter Readings from Transco pertinent to the RGMA 'cutover' period after 'cutover' has taken place.

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

Where Daily Meter Readings provided by Transco are passed on by Users to consumers and other parties, it should be noted that for the duration of the RGMA 'cutover' weekend, such readings would not be received until following its conclusion.

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

No such consequences have been identified.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages:

- Clarifies the contractual scope of industry RGMA 'cutover' requirements.
- Deviation from normal business transactions during RGMA 'cutover' is minimised.

Disadvantages:

- No disadvantages have been identified.

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

Four representations were received with respect to this Modification Proposal, all of which were supportive of implementation.

Powergen stated *'We agree that the proposal will clarify the contractual scope of industry RGMA 'cutover' requirements and minimise deviation from normal business transactions during the 'cutover'.*

npower commented *'it would be unreasonable to hold Transco liable for payment of charges associated with the provisions of Daily Meter Reading services that it will be unable to achieve due to systems work ongoing at the time.'*

British Gas Trading recognised *'the implementation of the systems supporting ...(RGMA) will inevitably cause some disruption to normal business...which should have little impact upon Users.'* BGT further commented *'Although this modification will avoid payment of some liabilities to users, it should not impact upon the obligation to continue to pay such liabilities at a higher level where an enduring failure has occurred. We believe that the "non-effective day" principle will deliver this.'*

Transco concurs with the views of all the above respondents.

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

Implementation 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 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

This Modification Proposal is not required to facilitate any such change.

14. Programme of works required as a consequence of implementing the ModificationProposal

No works would be required to facilitate implementation of this Modification Proposal.

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

This Modification Proposal should be implemented effective from 10 July 2004, being the commencement date of RGMA 'cutover'.

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 Gas & Electricity Markets Authority in accordance with this report.

19. Text

Transition Document Part II

Add 8.10.7 to read:

8.10.7 M5

UK Link suspension for the purposes of Review of Gas Metering Arrangements

In order to enable changes to be performed in respect of UK Link for purposes relating to the Review of Gas Metering Arrangements, on the 10th July 2004, 11th July 2004 and 12th July 2004, (the "RGMA Period"), the operation of UK Link for certain purposes will be suspended and accordingly the provisions of Section M5 shall be varied as follows:

For each Day (to which a Meter Reading in respect of a Performance Relevant Supply Meter Point relates) which immediately precedes or is within the RGMA Period the references in Section M5.2.1 to the "Day following", M5.2.2 to the "following Day" and M5.2.3 to the "Day following each such Day" shall be deemed to be references to the 13th July.

Signed for and on behalf of Transco.

Signature:

Peter Rayson
Commercial Manager - Customer

Support Services

Date:

Gas and Electricity Markets Authority Response:

> In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0677**, version **1.0** dated **24/06/2004**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

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 Gas and Electricity Markets Authority ("the Authority") 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 Authority 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 Authority does not so approve the Agreement then Clause 3 shall apply.

2. If the Authority 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 Authority 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 Authority 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 Authority 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.