Modification Report
Amendment to the Opening Meter Read Requirement to Facilitate RGMA Implementation
Modification Reference Number 0691

Version 1.0

This Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

Modification of the Network Code is required to remove temporarily the requirement for an Opening Meter Reading to be procured and provided to Transco by a User. This would apply where a Supply Point Confirmation is submitted requesting a change to the supplier identity but not the User identity or Supply Point configuration. The transitional provisions would expire upon commencement of the RGMA 'cutover' period, currently planned for 10,11 and 12 July 2004. Within scope of this Modification Proposal would be all Supply Point Confirmations with a Supply Point Registration Date prior to 9 July 2004.

2. Transco's Opinion

It is Transco's opinion that this Modification Proposal should be implemented.

Introduction of the 'Review of Gas Metering Arrangements' (RGMA) regime is planned for 12 July 2004. This features a suite of New Metering Contracts governing arrangements between Transco and suppliers. The new contractual regime will be accompanied by the removal of relevant metering provisions from the Network Code.

For the purposes of ensuring that Transco (Metering) is able to invoice the correct supplier and in the interests of facilitating an orderly transition to the new regime, an important pre-requisite for RGMA 'cutover' is for a shipper exercise to be undertaken to validate and if necessary update the supplier identity recorded by Transco on its Sites and Meters database. Where updates are required, it is necessary for Users to undertake a Supply Point Confirmation in accordance with Section G of the Network Code.

Section M3.8.1 identifies that where such Confirmation occurs, Users are required to procure and provide an Opening Meter Reading to Transco where "one or more of the User identity, the supplier identity or the Supply Point configuration" changes.

For the purposes of the exercise described above, an Opening Meter Reading is not required. Transitional Network Code provisions are therefore required which relieve Users from their obligations set out in Section M3.8.

It should be noted that Transco does not intend to undertake any amendment to its UK-Link system to suppress the generation and provision to Users of a notional Meter Reading which would occur in the event of an Opening Meter Reading not being received by Transco. Naturally, given that the

Opening Meter Reading provisions contained within Section M3.8 would not apply, Transco would not levy an estimated read charge in accordance with Section M3.8.10(a).

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

In preparation for RGMA 'cutover', it is necessary for an exercise to be undertaken to ensure that the supplier identity recorded by Transco on its Supply Point Register is accurate. For the purposes of this initiative, where a User wishes to re-confirm a Supply Point to update the supplier identity, it is unnecessary for an Opening Meter Reading to be obtained and provided to Transco as required by Section M3.8.1. The measure identified within this Modification Proposal is consistent with Transco's obligations contained within Amended Standard Condition 31 of the GT Licence and Transco's GT Licence 'code relevant objective' of facilitating the efficient discharge of its obligations under its GT Licence.

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:

No costs would be incurred as a consequence of 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 increase the level of Transco's contractual risk.

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

No such implications have been identified.

7. The implications of implementing the Modification Proposal for Users

Users may need to make minor procedural changes to accommodate implementation of this Modification Proposal. The extent of these is not known.

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

No such implications have been identified.

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:

- Temporarily removes the need for an Opening Meter Reading to be provided to Transco in circumstances where no such read is required.
- Temporarily removes the necessity for Users to incur costs in procuring an Opening Meter Reading where one is not required.

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)

Six representations were received with respect to this Modification Proposal. All were supportive of its implementation.

One respondent, NPower comments that it is "concerned that as these reads are not required by Shippers/Suppliers it is probable that they are not going to be checked and disputed if necessary. Therefore any incidents of erroneous estimated opening reads could have an impact on future AQ review processes. Should sites change through the natural churn process, there could be instances whereby Shippers / Suppliers could take on sites with inaccurate AQs. However, we do acknowledge that the likelihood of this happening is small". Transco acknowledges the views of the respondent and concurs with its opinion that the likelihood of there being an adverse AQ derivation impact is small, particularly given the limited applicable period of the proposed measures.

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 are required to implement this Modification 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 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

Draft legal text

Transition Document Part II

8.10 Section M: Supply Point Metering

Add new paragraph

"8.10.4 M3.8.1

Where a User submits a Supply Point Confirmation with a Supply Point Registration Date which becomes effective up to and including 8th July 2004 and the Supply Point Confirmation records a change only to the supplier identity (but not a change to the User identity or the Supply Point configuration) then the requirement of the User to obtain and provide an Opening Meter Reading (in accordance with paragraph 3.8.2) shall not apply and where, in the absence of any such Opening Meter Reading, any notional Meter Reading is used by Transco as an estimated Meter Reading (in accordance with Section M3.8.5) it shall not be included in the calculation (in accordance with paragraph 3.8.10(c)) of the number of estimated Meter Readings in respect of which the User is required to pay a charge and Transco shall not levy such charge (in accordance with paragraph 3.8.10 (a)) in respect of such estimated Meter Readings."

Signed for and on behalf of Transco.

Signature:

Peter Rayson
Commercial Manager
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 **0691**, version **1.0** dated **04/05/2004**) 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.