

Draft Modification Report
Provisions for the Treatment of User Suppressed Reconciliation Values (USRVs) for Terminated Users
Modification Reference Number 0721
Version 1.0

This Draft 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

Where a User is terminated pursuant to Section V of Network Code, any outstanding USRVs as at the termination date would be deemed to have a reconciliation value of zero and the USRV would be deemed to be resolved.

In essence, the relevant Supply Points would incur Transportation Charges according to the NDM demand allocation process in absence of a resolution to the USRV.

This provision would be applicable to terminated Users only. This is because a User wishing to pursue Voluntary Discontinuance under section V4.2 is obliged to resolve all its USRVs prior to ceasing to be a User.

2. Transco's Opinion

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

Larger Supply Points initially incur transportation commodity charges based on the NDM demand allocation process which are then subsequently 'reconciled' upon receipt of a meter read from meter/s at the appropriate Supply Point. Charges generated by such reconciliations are subject to validation as per the Network Code Reconciliation Suppression Guidelines and may be suppressed as a consequence.

Users are responsible for the resolution of certain suppressed charge items (prior to release onto an invoice) which are defined as User Suppressed Reconciliation Values ('USRVs'), commonly termed 'filter failures'. Where such items are the responsibility of a User which has been terminated (under the provisions of Network Code section V4.3) and the items remain unresolved, there is a requirement to mitigate (or eradicate) the risk borne by the Reconciliation by Difference ('RbD') community in respect of the unreconciled energy. Finalisation of transportation billing associated with such values mitigates the risk of the suppressed values remaining unresolved.

The risk of an unresolved suppressed item (which when resolved may result in a debit or credit value) in respect of a meter at a Larger Non-daily Metered Supply Point is borne by those Users in the affected LDZ with Smaller Supply Points where reconciliation occurs via the RbD mechanism. A degree of risk is also borne by Transco of revenue being recovered from an incorrect sector of the market. Where a User is terminated, it is unlikely that USRVs for which it is responsible will be resolved by that User. In such circumstances, the current provisions of Network Code do not facilitate the satisfactory mitigation / eradication of the risk to both RbD Users and Transco.

Should such unresolved USRVs be reclassified as Suppressed Reconciliation Values (SRVs), Transco would be required to pro-actively investigate the reason for the suppression and take the necessary actions to release onto an invoice. In this case there would be a resource requirement to address the suppressed items, such evaluation of each site individually would be labour intensive and time consuming and thus Transco would incur significant additional costs. Crucially, Transco does not have the necessary data to resolve suppressions which would require access to both the appropriate Meter Reading Agents and Meter Asset Managers.

The issues identified above and the proposed changes detailed in the 'Nature of Proposal' were discussed within the September 2004 Supply Point and Billing Workstream where broad support was forthcoming from attendees.

Should this Proposal not be implemented, in the rare event of a User Termination pursuant to Section V of the Network Code, RbD Users and Transco would continue to be exposed to the risk of unresolved USRVs. With the only party contractually able to resolve such items no longer party to Network Code, there is no prospect for resolution of the USRVs.

Such unresolved USRVs would remain outstanding and may distort future analysis of industry USRV resolution standards.

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

The measure described within this Proposal is consistent with Transco's GT Licence Code Relevant Objective of the securing of the efficient and economic operation of its pipe-line system.

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:

A small operating cost would be incurred to facilitate cancellation of all of the outstanding USRVs for the Terminated User.

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 cost has been identified.

7. The implications of implementing the Modification Proposal for Users

A level of certainty would be realised for Users operating within the RbD market in respect of the 'resolution' of USRVs for the Terminated User.

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

- A level of certainty would be realised by Transco and Users in respect of outstanding USRVs for a Terminated User.
- The risk to RbD Users of unresolved USRVs for a Terminated User would be removed.
- USRVs unlikely to be resolved would be finalised.
- Industry resolution standards would not be prejudiced by outstanding USRVs for Terminated Users.

Disadvantages

- The true value of the reconciliation would not be evaluated.
- Prior to actual termination, the User (or appropriate party representing the User) could choose to resolve those USRVs which would create a credit to the User in the knowledge that the remaining USRVs (likely to generate a debit to the User) would be 'cancelled'. The risks of such inappropriate behaviour occurring is, however, thought to be low.

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

Representations are now sought in respect of this Modification Proposal.

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 Modification Proposal

Transco would be required to implement a manual process to trigger and action cancellation of outstanding USRVs for a Terminated User when such Termination occurs.

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

Transco would be able to implement this Modification Proposal with immediate effect should a direction to implement be received from the Authority.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal be implemented.

17. Text

SECTION E

Daily Quantities, Imbalance and Reconciliation

Add new paragraph 8.1.5 to read as follows:

"8.1.5 Where a Termination Notice has been submitted to a User pursuant to Section V4.3, all User Suppressed Reconciliation Values for such User which are outstanding at the User Discontinuance Date or are subsequently created after the User Discontinuance Date shall be cancelled and deemed to be void *ab initio* and no further Reconciliation Values for the Meter Reading Periods to which the User Suppressed Reconciliation Values related shall be invoiced and payable."

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report

Signed for and on behalf of Transco.

Signature:

Declan McLaughlin
Commercial Manager, Customer Service

Support Services

Date: