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25 May 2005

ESP Pipelines Limited, shippers and other parties.

Dear Colleague,

**Modification Proposal ESPP 103: Meter Read Replacement Functionality**

After consideration Ofgem has decided to direct ESP Pipelines Ltd (ESPP) to implement the above modification. This letter explains the background to the modification proposal and gives Ofgem's reasons for making this decision.

**Background to the Proposal**

As detailed in Ofgem's decision letter for modification 662 'Read Replacement functionality for the last read received by the GT from the incumbent shipper', Transco's network code and Suppression Guidelines set out circumstances under which Transco would suppress NDM reconciliation charges. Suppressions that occur as a result of inaccurate meter reads provided by shippers are known as User Suppressed Reconciliations (USRVs). The implementation of modification 662 enabled shippers to replace the last meter reading with another read where it has created a USRV.

Although such reconciliations do not occur within ESPP processes, there are reconciliation consequences for pipeline users in terms of reconciliation on Transco's system.

*Transition from Transco's network code to the Uniform Network Code (UNC)*

Following the implementation of modification 0745 on 1 May 2005, Transco's network code was modified such that virtually all of the operative text was removed, and in its place text comprising 'short form' network codes of relevant GTs, which incorporate the UNC by reference, were introduced. These changes were made as a part of the process of hive-down of four gas distribution networks from Transco plc. Consequently, the above arrangements are now contained in the UNC and will be applied by the relevant GT.

**The Modification Proposal**

This proposal would allow pipeline users to extend the management of USRVs arising on relevant GT systems to reconciliations arising from meter readings taken on the ESPP system, by enabling users to replace the most recent meter reading with an alternative reading with the same or a later date.

**Respondents' Views**

Two representations were received. Both gave support for the proposal, with one offering specific support for the principle of aligning IGT network codes with that of NGT and agreeing that the proposed modification would improve consistency.

**ESPP's View**

ESPP indicated its belief that the proposal will enable pipeline users to extend the management of USRVs arising on Transco's system to reconciliations arising from meter readings taken on the ESPP system. ESPP proposed that this will facilitate competition in shipping and supply by increasing options for management of problem reads.

**Ofgem's View**

Ofgem considers that it is appropriate to extend the availability of a mechanism enabling shippers to resolve USRVs in a timely manner. As with modification 662 to Transco's network code, Ofgem notes that this functionality would be optional for pipeline users. Therefore, it will be for shippers to make a decision on whether they wish to use a read replacement facility and undertake necessary system changes to support its use.

**Ofgem's Decision**

Having taken all of the above into consideration it is Ofgem's decision to direct ESPP to implement modification proposal 103 as we believe that it will better facilitate the relevant objectives of their Gas Transporters Licence, in particular the efficient and economic operation of its pipe-line system. In accordance with standard condition 9 of ESPP's Gas Transporter's Licence, ESPP are directed to make the above proposal (as contained in ESPP's network code modification report ESPP103 dated 15 April 2005) as a modification to the network code.

**Yours sincerely**

**Nick Simpson**
**Director, Modifications**