

Modification Report
Introduction of provisions to permit a User to change the supplier identity at a
Supply Point without submitting a Confirmation and the removal of the
associated requirement to procure an Opening Meter Reading.
Modification Reference Number 0663
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

- To remove the need for Users to procure an Opening Meter Reading where a change is made to the supplier identity recorded on the Supply Point Register but no change is made to the User identity and/or the Supply Point configuration.
- To render optional the existing mandatory requirement to change the identity of the supplier recorded on the Supply Point Register by Supply Point Confirmation where the identity of the Registered User does not change and to introduce new provisions permitting the supplier identity to be changed in such circumstances without having to undertake a Supply Point Confirmation.
- To correct an error contained within Section M3.8.1. which refers to the 'Supply Meter Point configuration'. This should read 'Supply Point configuration'.

2. Transco's Opinion

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

Currently, Section G2.5.10 of the Network Code provides that in all instances where a User wishes to record a change to the relevant supplier of a Supply Point, such change must be actioned by submission of a Supply Point Confirmation (preceded by a Supply Point Nomination where required). In addition, where this change concerns a Supply Point comprising one or more Non Daily Metered Supply Meter Points, there is a Opening Meter Reading requirement as per Section M3.8.1 of the Network Code.

This Modification Proposal facilitates amendment of the relevant supplier recorded against a Supply Point in the Supply Point Register where there is no change to the Registered User. Such amendment does not impact upon any change to Transco's demand attribution or invoicing processes and yet currently, can only be facilitated via the Supply Point Administration processes with its associated notice period and data requirements. An opening meter read is also required.

This Proposal advocates the use of a 'fast-track' facility to action a change to the relevant supplier recorded by Transco against a Supply Point . This facility would allow a User to submit a smaller quantity of information (in comparison to a Supply Point nomination / confirmation) and would not be subject to notice periods (the update would have immediate effect once Transco's SPA system

processes the file). It is important to note that the data provided by Transco in response to such a file would be minimal (likely to constitute confirmation of acceptance of the file or the reason for rejection). Use of the Supply Point nomination / confirmation process to action a change to the relevant supplier would remain as an option should a User require a more comprehensive set of transfer data including receipt of an estimated opening read (in the event the User did not wish to provide an Opening Meter Read).

It is anticipated that 'fast track' functionality would enhance the options available to a User for administering its portfolio. Currently, a User is permitted only one supplier identifier to be created per supplier organisation. Transco has Licence and Network Code obligations (G2.5.10) to record such information. In support of this proposal Transco intends to facilitate the creation of multiple supplier identifiers against single organisations; e.g. ABC1, ABC2, etc. This provides an opportunity for Users to introduce flexibility within their internal portfolio management processes, for example, by sub-dividing Supply Points by market sector, etc.

To take advantage of this new facility Users would have to amend the supplier identity recorded against the relevant Supply Points on Transco's Sites & Meters database. It is believed that the changes envisaged by this Modification Proposal would enable a User to manage its portfolio in the area of supplier identities more effectively.

It is generally accepted that the 'transfer read' generated by Transco and disseminated to the incoming and outgoing Users in the confirmation process only adds value where the two Users concerned are different companies. In the event that there is no change in User identity, the 'transfer reads' are currently submitted by Transco to the same User and are, therefore, superfluous. It is therefore proposed that the mandatory opening read requirement in these circumstances be removed. Note: Where an Opening Meter Reading was not provided to Transco, a notional meter reading would continue to be generated and submitted to the User. The User may choose to utilise or discard the estimate. Based on a further recommendation of the Workstream, Transco has initiated a Pricing Consultation to set to zero the existing estimated read charge for Smaller Supply Points.

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

Implementation of this Modification Proposal would allow Users to action changes to the relevant supplier recorded at a Supply Point in a shorter timescale and more efficiently than is currently achievable through the Supply Point nomination/confirmation process. This measure is consistent with Transco's GT Licence Relevant Objective of the securing of effective competition between relevant shippers and relevant suppliers, and in the removal of unnecessary data generation and notice requirements in the defined circumstances, facilitates the efficient discharge of Transco's obligations in the GT Licence in respect of Standard Condition 5(8) which obliges Transco to record the relevant supplier which has from time to time supplied gas to the premises in question.

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 incur costs in amending its UK-Link system. The extent of these costs has not been identified at this stage.

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

Transco would be required to make changes to its UK Link system to facilitate implementation of this Modification Proposal. Users who wish to take advantage of the 'fast track' facility would be required to implement systems functionality to issue and receive the appropriate communications.

7. The implications of implementing the Modification Proposal for Users

Users would be required to make a commercial decision based on their data requirements in assessing which method of supplier identity change to utilise. No further implications have been identified.

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

This Modification Proposal is consistent with Transco's obligation under its GT Licence to record the relevant supplier which has from time to time supplied gas to the premises in question.

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

Advantages:

- provides a supplementary method for Users to reflect changes to the relevant supplier at a Supply Point.
- supplementary method offers a reduced administrative burden on Transco and Users.
- the optional use of Supply Point nomination / confirmation is retained should a User require the complete transfer dataset.

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)

Seven representations were received with respect to this Modification Proposal six of which were supportive of implementation. The remaining representation offered qualified support.

British Gas Trading ("BGT") noted that the proposal was "*...a pragmatic solution to avoid the current mandatory requirement to re-register the supply point where only a change of supplier need be recorded*" and further suggested that use of such a facility would reduce "*...the administrative burden upon Users and Transporter in this process*". BGT also acknowledged that the User may elect to utilise the nomination/confirmation process stating "*The optionality included within this proposal does mean that Users may elect to reset the timings from the new supplier where this preferred*". BGT also acknowledged the "*...textual correction to the relevant part of Code M3.8.1*".

ScottishPower expressed its support for the ability to register multiple supplier IDs against single organisations. It commented that this facility, in conjunction with the functionality advocated by the Proposal "*...will assist companies to internally manage their portfolios...especially beneficial if a single supplier chooses to use two supplier identities*". ScottishPower noted that this would allow supplier ID changes "*...with the benefit of no notice period or Opening Meter Reading Requirement*". Transco would point out that the within section M2.5.10 of the Network Code draft legal text the onus would be on the Registered User to notify Transco as soon as reasonably practical of the supplier change.

ScottishPower identified that in the event of a change of supplier ID where there is no change to the Registered User *"...the proposal will no longer make the provision of an Opening Meter Reading a mandatory requirement"* and further commented that where the confirmation process is utilised to effect such a change *"...Transco will continue to accept meter readings where submitted. If no meter readings are received Transco will generate estimates and provide to the Registered User"*. ScottishPower stated its continued *"...support for the provision of actual meter readings obtained within the Change of Supplier process"* as *"...separate suppliers with different billing systems may be involved...making the provision of meter readings fundamental for customer billing purposes"*. Transco concurs with this view.

Powergen explained its support for the proposal stating *"...the proposal facilitates a reduced administrative burden on Transco and Users."* and further commented that it was a *"...pragmatic approach to removing unnecessary data generation and streamlining the processes surrounding changes made to supplier identities"*.

Scottish and Southern Energy expressed its support for the implementation of the proposal *"...as soon as possible post-RGMA"*. Transco concurs that system development necessary to implement the proposal (if so directed) would not be possible prior to RGMA Metering Separation 'cutover'.

EdF Energy reflected its support for the proposal and identified three advantages as first the availability of a supplementary method for Users to effect a change to the relevant supplier, second the reduced administrative burden this would inflict and finally the retention of option to utilise the confirmation process. EdF suggested that there may be *"...limits on the volume of Supply Points for which a change to Supplier Identifier can be implemented in one go"* and indicated that it would seek to ensure that this aspect was *"...satisfactorily investigated"*. Transco's response is that the system solution developed in response to the Modification Proposal will specify the maximum volume of meter points able to be processed via the 'fast track' solution.

RWE Innogy communicated qualified support in its representation. It acknowledged that the proposal would provide Users with the *"...flexibility to change the identity of the supplier without having to undertake a Supply Point Confirmation"*. However RWE views that the proposal *"...does not sufficiently address all the issues relating to portfolio management"*. RWE commented that *"...in our opinion what would be more beneficial would be for shippers organisations to have multiple shipper identities linking to the one shipper organisation (as envisaged under modification proposal 553)"*. It reflected that Ofgem had rejected Modification Proposal 0553, and in its rejection pointed out that the industry was working towards a resolution of the issues in respect of portfolio consolidation. RWE expressed a view that Modification 0663 *"...fails to resolve these concerns"*.

Transco's response is that the scope of the proposal was limited to the amendment of Supplier IDs and is not intended to be a solution to issues surrounding the bulk transfer of Supply Points for portfolio management

purposes. Regarding the introduction of multiple shipper identities, Review Group 0240 (convened in August 1998) investigated the issues surrounding a Proposal to enable the use of multiple UK Link accounts by single shippers. Currently section V2.4 of Network Code states 'Unless expressly otherwise provided in the Code or agreed by Transco, a person may only be one User, and accordingly a person who is for the time being a User may not make a further application to be admitted as a User'. The Review Group concluded that allowing a single shipper licence holder to operate multiple UK Link accounts would necessitate a major re-draft of Network Code and its supporting systems.

A related (but not dependant) measure proposed by Transco is the removal of the charge for an estimated Opening Meter Read. RWE acknowledges that this measure will address the financial exposure where the estimate read is not required but expressed concern that *"...as Transco have not yet published a Pricing Consultation on this matter, our concerns about the lack of any significant progress on this issue remain."* Transco's response is that it is aiming to issue the Pricing Consultation paper externally by 1 February 2004 for implementation (unless the Authority directs otherwise) on 1 July 2004.

Overall RWE indicates that Modification Proposal 0663 will be of some benefit but *"..will not address all the concerns shipper have regarding efficient portfolio management."*

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 make changes to its UK Link system to facilitate implementation of this Modification Proposal.

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

It is anticipated that the timing of any necessary system changes would be concluded following Transco Metering Separation (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

SECTION G: SUPPLY POINTS

Amend Paragraph 2.5.10 to read as follows:

2.5.10 Every Supply Point Confirmation shall specify (in addition to what is required in paragraph 2.6 and 2.7) the identity of the proposed supplier; and in any case where upon a change of the identity of the supplier a User continues to be a Registered User in respect of a Supply Point, such User shall either submit a Supply Point Confirmation or notify Transco, by such method as Transco shall require, (such method to be notified to Users from time to time) the identity of the new supplier as soon as reasonably practicable after such change of identity. By notifying Transco of the identity of the new supplier, such User warrants to Transco that such new supplier (or if there is more than one supplier, the suppliers between them) has (or have) warranted to the User that there will be in force a contract or contracts (including a deemed contract pursuant to paragraph 8(1) or 8(2) of the Gas Code) for the supply to the consumer of the gas offtaken by such User from the System at the Proposed Supply Point

ANNEX G1

Amend Annex G1 to add the following:

(x) change in supplier where there is no change of Registered User in respect of a Supply Point.

SECTION M: SUPPLY POINT METERING

Amend Paragraph 3.8.1 to read as follows:

3.8.1 Where a User submits a Supply Point Confirmation which becomes effective for a Proposed Supply Point which includes one or more NDM Supply Meter Points, this paragraph 3.8 applies in respect of the Non-Daily Read Meter installed at each such Supply Meter Point provided that this paragraph 3.8 shall only apply where the Supply Point Confirmation submitted by a User records a change to one or more of the User identity or the Supply Point configuration.

Signed for and on behalf of Transco.

Signature:

Sharon McLaughlin
Customer Service 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 **0663**, version **1.0** dated **27/01/2004**) 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.