

To : Transco, Shippers, & other interested parties

Direct Dial : 020 7901 7346
Our Ref : Net/Cod_400

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RE : Modification 0400 'Release by Transco of the Supplier Identity to Gas Consumers and Suppliers'

Ofgem has decided to consent to modification proposal 0400. In this letter, we set out our reasons for making this decision. This letter addresses comments raised in response to Ofgem's November consultation document on access to data issues¹.

Background

For some time gas customers—particularly Industrial and Commercial (I&C) customers have expressed concern about the fact that they have limited access to details of information on their gas supply held by gas transporters. For its part, Transco has argued that it was prohibited from giving customers access to such data by Section 42 of the Gas Act 1986 (unamended by the Utilities Act 2000).

With the passing of the Utilities Act 2000, section 42 of the Gas Act 1986 was repealed. To accompany this change, a new standard condition in the gas transporters' licence was also proposed (standard condition 30B). This condition was the subject of a number of Ofgem consultations². Most recently, the Department of Trade and Industry sought final views on the new standard condition³. It is currently expected that these new standard conditions of the gas transporters licence will be implemented in August 2001.

Notwithstanding these changes, in November 2000, Ofgem proposed an interim modification to Transco's licence designed to give immediate effect to the intention behind the repeal of Section 42⁴. Modification 0400 originally proposed by Transco in May 2000, was redrafted to reflect the proposed changes to its licence.

Subject to some minor amendments in response to points raised via the consultation, special condition 17A was incorporated into Transco's Public Gas Transporters licence on 29 January 2001. A copy of the condition is available in the Ofgem library. Many of the points raised in response to that consultation have also been raised in relation to modification 0400. This letter considers points raised in response to both consultations.

¹ "Customer access to information in the gas market, Modification of Transco's Public Gas Transporters Licence", Ofgem, November 2000.

² "Initial proposals on Standard Licence Conditions Nov 1999", Ofgem, "The Utilities Bill—Standard Licence Conditions Feb 2000, Ofgem, and "Utilities Act Standard Licence Conditions ", Ofgem, October 2000.

³ "Standard Licence Conditions (Gas & Electricity)", Department of Trade and Industry, 26 March 2001

⁴ "Customer Access to Information in the gas market, Modification of Transco's Public Gas Transporters Licence", Ofgem, November 2000.

Shipper's Representations

Shippers, customers and other interested parties were generally supportive of the proposal to introduce special condition 17A and modification 0400. However, a number of specific concerns were raised. These are set out, with a discussion, and a conclusion below.

1. Scope of proposals

Shippers asked whether the interim requirements should apply solely to Transco, or instead be extended to other Public Gas Transporters (PGTs). Others suggested that the proposals for customer access to data does not extend far enough, i.e that it should include access to, amongst other things, information on Transco's Gas Systems operation data.

To modify a licence which would apply to all PGTs is not a straightforward process. The process requires licensed PGTs to vote on whether they support the licence change. Obtaining the required levels of support to change licences can substantially delay or if the licence modification is not supported prevent licence changes. Another determining factor for not extending the licence change to all PGTs is the requirements of customers.

It may not have been possible to secure access to Transco's data in a timeframe acceptable to customers if the licence change levied on Transco was extended to all PGTs. I&C customer's immediate requirement was to obtain access to Transco's data primarily because Transco is the largest owner/provider of data.

The introduction of the new Gas Transporter's Licence will place the obligation of information provision on all gas transporters not just Transco, under the guise of Standard Condition 30b. Transco's condition will simply fall away at this point, with the exception of the provision of network diagrams, which will remain as Special Condition 17a.

Ofgem agrees that consideration should be given to allowing access to Transco's gas systems operation data. This is why Ofgem issued a separate consultation¹ which, amongst other things sought views on extending access to Transco's gas systems operation data. Ofgem has since received a number of responses to this document. It is Ofgem's intention to summarise these responses shortly and propose a way forward later this year.

2. Dissemination of commercially confidential information

One shipper expressed concern that the proposal could lead to the dissemination of commercially confidential information about, for example, the price paid by shippers for capacity. In particular, it was suggested that consumers, who may have indexation or pass through charges in their contracts, would be able to enquire about a shipper's balancing regime and activity within the auctions. Some shippers were concerned that the proposal allowed parties other than the customer to collect information on the identity of a supplier at a particular site.

¹"The New Gas Trading Arrangements – Further reform of the gas balancing regime" Ofgem 28 February 2001.

Ofgem recognises the validity of these concerns expressed by shippers. However, there is no easy solution which would appease concerns about the drafting of 17A and modification 0400. That is, legal text which is prescriptive is often subject to interpretation and challenge. On the other hand risks may be reduced by clarifying what information can and cannot be released.

Ofgem suggests that Special Condition 17A relates purely to the release of site specific information. Therefore paragraph (1)(a)(ii) of condition 17A has been amended to read: -

(ii)... assessing the accuracy of those components of the charges relating to the conveyance of gas to such premises which are specific to the premises of that consumer;

Furthermore, Transco via special licence condition 17A is able to seek determination from the Authority should it require guidance concerning the release of certain information to consumers.

It is worth adding that the management and dissemination of the supplier identifier is Transco's responsibility. Transco it must ensure that it continues to operate robust and reliable checks to make certain that it disseminates supplier ID information only to the appropriate party.

3. Inaccurate data

One shipper argued that, partly due to proposals to liberalise the metering market, Transco might be unable to provide accurate information on the latest meter readings or meter serial numbers.

The access to data initiative allows customers and shippers to obtain visibility of information that may or not be held on Transco's databases. In itself, this may improve the accuracy of Transco's data. Any diminution in the accuracy and completeness of meter reads or serial numbers held by Transco as a consequence of liberalising the gas metering market is an issue which is being considered as part of Ofgem's review of gas metering arrangements. Information on this project is included on Ofgem's website (www.Ofgem.gov.uk)

4. Charges for access to data

One shipper argues that charges for access to data should be levied in a non-discriminatory manner, i.e that if Transco introduced a charge for access to data on I & C sites, it should introduce a comparable charge for access to data on domestic sites.

Ofgem and Transco have looked carefully at the arguments for charging. Whilst it is clear that Transco is incurring additional costs via its internet access service, it is also relevant that Transco's operation – as well as competition – will benefit from the increasing accuracy of its site data. If Transco wishes to charge for its data access services Ofgem would expect Transco to put forward a case for consultation with shippers, which would ultimately be approved by Ofgem. However, at this stage i.e Phase 2, Transco has decided not to charge I&C customers for use of the phase 2 facility. Phase 3 is expected to be a significant enhancement to the Phase 2

internet facility. Such a project is likely to have cost implications and the recovery of costs will form part of Transco's project definition. Ofgem and Transco have agreed that once scoped, the Phase 3 project can be examined.

It should be noted that the extent of information required by I&C consumers to manage their gas supply is more complex than the requirements so far identified for domestic customers. The licence condition has been altered to demonstrate this. Paragraph 1 has been divided into two, all four clauses are provisions for Industrial users, whereas only clauses (iii) and (iv) are provisions for the domestic sector (see attached licence condition).

5. Security

One shipper asked whether the security of data on Transco's internet site was adequate.

The issue of security is essentially an area for Transco to control. Ofgem understands that Transco has initiated a 40 bit encryption process, coupled with password protected viewing. Transco has previously stated that it may be possible to increase this level of encryption to 120 bits should the need arise. It would also be Transco's responsibility to put in place periodic reviews of the project, to ensure smooth running and to gauge customer satisfaction.

Ofgem's Decision

Taking into account the issues discussed above, Ofgem has decided to approve modification 0400.

I hope this letter addresses the concerns raised by shippers to modification 0400 and the November licence consultation. However should you require any further information regarding this subject, please contact Roger Morgan (020 7901 7346) or Adam Knight (020 7901 7079).

Yours sincerely

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