

Review Proposal 0384

Title: Review of M Number Creations

Date: 9th February 2000

Proposed Report Date: Modification Panel, 16th March 2000

Introduction

Since the beginning of NWC, Transco have been asked to create a large number of M-Numbers, which, after their usual validation procedures, they have done. As no M-Number existed for the Meter Point, a Shipper other than British Gas Trading would not be able to register the Meter Point resulting in a delay for the End User in receiving a gas supply from their chosen supplier. Transco have also stated publicly that where they have needed to create an M-Number for a Meter Point, they will not have previously invoiced Transportation Charges in respect of that Meter Point, indeed, they would not have had a Registered User to Invoice. Based upon the proportions of M-Number Creations within our own portfolio, we estimate that this problem may affect as many as 150,000 - 170,000 Supply Meter Points.

Whilst this does impact both the I&C and Domestic Markets, the financial exposure resulting from this issue is borne by Domestic Shippers. The costs involved are believed to be large and over time can only contribute to higher prices across the board for Domestic Consumers, which would be very damaging to Competition. Furthermore, we believe that a large cross-shipper subsidy has occurred through RbD to Domestic Shippers. This adjustment, given the potential number of sites involved, may be as large as the vacant sites adjustment addressed under Modification 327. In addition to the above, the complexity and duration of the process for M-Number Creation has resulted in commercial damage to Shippers, as customers erroneously hold the incoming Shipper responsible for the delays experienced and decide not to pursue a new contract.

At the RbD Sub Group meeting on 14/12/99, Transco confirmed that they have created 156,000 M-Numbers since 1/3/96, 111,745 with a Domestic AQ. These were all sites that were burning gas with no M-Number and it was stated explicitly that these numbers do not include Unconfirmed Siteworks. Transco further stated that they are still receiving 1000 requests per week For M-Number Creations.

We believe that the problem generally surfaces when a Customer makes the decision to transfer their business to a new supplier and subsequently experiences difficulty in doing so. If this is true, the numbers evidenced to date may be a significant understatement of the total magnitude of the Domestic Community's financial exposure.

Areas of Network code Concerned

Section S

Section G

Nature of Proposal

The review will:

- Establish the number of M Number creations since the beginning of NWC
- Clarify the reason for M Number creations
- Identify and address any outstanding charges or cross subsidies
- Consider how to reduce M Number creations

Purpose of Proposal

The review should consider all transactions (Financial and operational) in the relationship between Transco and Shippers, whilst having regard to the practicalities faced by End Users and Suppliers. The aim is a fair and equitable solution to the retrospective issues and a pragmatic way forward for the future.

In doing so, the group must take into account what it is practical to do or require and the processes by which M-Numbers are created.

In each case, full financial reconciliation is required to ensure the Domestic Community remains whole. Given the numbers that have been created to date, the group may wish to give consideration to the development of a methodology to process the adjustments already due.

It is expected that during the review, the group will give consideration to the impact upon Transco's Network Code and bring forward any required modifications and legal text to give effect to their recommendations.

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Signature:

Modification Panel Secretary's Use Only

Reference Number: 0384

Date Received: 09/02/2000