



OFFICIAL OFGEM LETTER

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27 January 2005

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Transco, Shippers and other parties

27 January 2005

Dear Colleague,

**Modification Proposal 717: Provision of Supply Point Information.**

The Office of Gas and Electricity Markets ('Ofgem') has carefully considered the issues arising from modification proposal 0717 "Provisions for Supply Point Information Service" and has decided to direct Transco to implement the modification. This letter explains the background to the modification proposal and outlines the reasons for Ofgem's decision.

**Background**

All gas transporters are obliged by Standard Licence Condition 31 to provide a Supply Point Information Service. The aim of this licence condition is to ensure that services are provided to shippers, suppliers and customers to provide information held by the Gas Transporters about the supply of gas to a premise. The availability of such information is essential to enable shippers to balance their portfolios and enable customers to change supplier.

However, although the licence condition establishes broad parameters for the provision of supply point information services, it does not detail or specify the service standards that may be expected by users of the service. The level of service that Transco has come to provide, and users of the service have come to rely upon have evolved since market opening and arrangements have generally worked well. The associated service standards have not been formally agreed or specified and do not form part of the Network Code agreement.

The discussions that have taken place within the industry surrounding the proposal that NGT wished to sell a number of its local distribution networks led to shippers scrutinising the arrangements for the delivery of key services. In particular, the question arose as to whether an industry structure based on multiple ownership of distribution networks could lead to changes in the provision of services to shippers where there were no, or uncertain, governance arrangements. This presented a risk to shippers; that services upon which they depended could be changed or service levels degraded without them having been consulted. This was considered to be the case in respect of the Supply Point Information Service.

## **Modification Proposal**

The modification proposal seeks to place an obligation within Network Code for Transco to provide specified access arrangements and to prescribe a minimum acceptable service level for Shippers. The proposal sets the specification level as that currently provided by Transco, to be published in a document referenced in the Network Code; the "Supply Point Information Service Guidelines".

### **Transco's views**

Transco supports the modification. They state that they recognize the concerns that shippers have expressed and that using the Network Code to provide a degree of comfort to shippers that service levels will be maintained is a reasonable and proportional response. Further, Transco believes that the proposed measures facilitate its GT Licence 'relevant objective' of securing effective competition between relevant shippers and between relevant suppliers. Transco's opinion is also that clarification of the manner in which its services are delivered are consistent with facilitating the efficient operation by the licensee of its pipe-line system.

Transco notes that for the purposes of this proposal, internet and e-mail based notices are considered to be a method of Code Communication in accordance with Section W. While the proposed text ensures that that this is confined to the scope of this modification proposal, Transco is concerned that the establishment of a precedent may give rise to further proposals to contractualise new methods of Code Communication. Whilst Transco is sympathetic to this principle, it is important that consideration be given to a thorough review of the implications for the Network Code of broadening the methods which may fall within the remit of Code Communications. Transco believes that Users should be mindful of this pre-requisite in the event that further such requirements are identified.

### **Shippers views**

Transco received five representations, all supportive of the modification. Shippers identified the importance of the Supply Point Information Service, in particular to the change of supplier process.

The proposed modification is viewed by respondents as giving a greater degree of certainty that the service will be maintained to current standards. They argue that by referencing the provision of the service in the Network Code, there will be visibility and control over service standards. The need for this change is driven by the sale of gas distribution networks, and the concern that wider ownership could lead to pressures to reduce support for centrally provided services.

One Shipper, although supportive of the modification raises a concern over the legal text. They point out that change to the guidelines that specify the Supply Point Information Service could potentially be made without consultation with Users. Transco acknowledged this view, and modified the text to include a requirement that the 'Supply Point Information Service Guidelines' will be revised "...from time to time (in consultation with users)..."

### **Ofgem's view**

This modification has been driven by the concerns that the sale of distribution networks could result in changes to the standards of services provided to shippers, without shippers having the opportunity to comment on, or have influence over, those changes. The Supply Point Information Service is an example of a key service provided by Transco to shippers that traditionally has not been subject to the disciplines of Network Code change control or other direct form of industry governance. As a result there is no clear definition of service standards currently delivered.

These concerns have been discussed in the Supply Point Administration Working Group, a sub-group DISG that has been considering the issues surrounding the sale of Transco's distribution networks.

The solution set out in this modification proposal establishes the Supply Point Information Service Guidelines as a document referenced in the Network Code defining the services expected by Users. Ofgem notes that the change management of the Guidelines requires Transco to consult Users, but is not subject to the full Network Code change control. There is therefore a risk that a change could be proposed by Transco (or, in the future xoserve) and implemented even though a User (or number of Users) did not support the change. It will be for Transco to ensure that consultation with Users on changes proposed to the Guidelines are dealt with appropriately (for example, through the proposed xoserve user forum) and that sufficient notice is given to users that would permit further changes to the Network Code (or UNC) to be proposed if a User considered the proposed changes warranted it. However, Ofgem considers that the current proposal is a proportionate response to current industry concerns.

Ofgem has decided to consent to this modification to the Network Code because the introduction of a definition of the Supply Point Information Service Guidelines as a document referenced in the Network Code will:

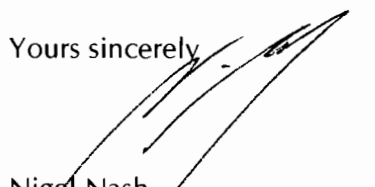
- Give greater governance to the provision of a key service to Users;
- Set a bench mark for service standards against which future change proposals can be assessed.

### **Ofgem's decision**

Ofgem believes that modification 0717 better facilitates the achievement of Transco's Network Code relevant objectives of securing effective competition between relevant shippers and relevant suppliers and the efficient and economic operation of its pipe-line system as outlined under Amended Standard Condition 9 of Transco's GT licence.

If you have any queries in relation to the issues raised in this letter please do not hesitate to contact [nigel.nash@ofgem.gov.uk](mailto:nigel.nash@ofgem.gov.uk) or via telephone on 020 7901 7065.

Yours sincerely



Nigel Nash  
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