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value to customers*

Transco, Shippers and other
interested parties

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Dear Colleague,

Modification Proposal 0591 'Introduction of Change of Tenancy Marker to the Confirmation/Registration Process'

Ofgem has considered the issues raised in modification proposal 0591 'Introduction of Change of Tenancy Marker to the Confirmation/Registration Process' and decided to direct Transco to implement the modification. This letter sets out respondents' views and provides Ofgem's reasons for this decision. Also, attached to this letter is an update on Ofgem's proposals to bring about changes to the suppliers' right to object in gas.

Background

Scottish and Southern raised this modification in an attempt to align gas and electricity processes and facilitate the transfers of customers who have recently occupied a premise, known as a change of tenancy (COT).

Modification Proposal

Modification 0591 proposes to amend Transco's network code to incorporate a COT flag. The modification suggests that where a COT flag has been populated (during the transfer process) the incumbent shipper/supplier should not object. The modification proposes that Transco reject objections when the COT flag has been populated.

Views of Respondents

Respondents raised a number of concerns these are set out below with a discussion and conclusion.

Enforcement of COT flag

Some respondents questioned whether Transco should reject objections when the COT flag has been set. Other respondents raised concerns about how to validate the accuracy of the COT flag.

It is possible for suppliers to erroneously object when a customer moves into a property. That is, the supplier may not have been informed that a new customer has occupied a premise. In this scenario, the supplier may continue to bill the previous occupier and is unlikely to have a contract in place with the new tenant/owner. If the supplier is unaware of the new tenant/owner and bills the previous customer for an outstanding debt it should not object as the new occupier does not have a contract in place with the incumbent supplier. However, if the supplier is aware that a new tenant/owner is in place it can bill the customer or occupier on a deemed contract basis. It can object if a bill has remained unpaid for 28 days, however, it should make attempts to secure a contract with the new tenant/owner.

Transco Validating Objections

Transco does not consider that it should take on the role of validating the COT flag for the following reasons:

- The COT flag may have been wrongly set by the proposing user,
- The existing user would have no opportunity to validate whether the proposing shippers claim of COT was correct.

Transco's role is not to police objections it acts as a postbox and transmits information and data between shippers/suppliers. It should not be concerned with the reason for objection or whether the COT marker is valid or not. In fact, Transco has no way of validating the accuracy of the COT flag as it has no contact with end users. In the electricity market a COT flag is used during the transfer process. Whilst there is no validation of the COT flag, Ofgem has not been informed of any misuse of this facility. The onus is on suppliers to be honest in their use of the COT flag. Ofgem does not receive reports concerning the use of the COT flag in electricity. However, if concerns are raised on the misuse of the COT flag in gas or electricity we can undertake further investigation.

Harmonisation of Gas and Electricity Processes

A number of respondents suggest that this modification will improve the customer transfer process and align gas and electricity registration processes.

The drivers for this modification are: to improve the transfer process so that it reflects the needs of customers, align gas and electricity industry processes and reduce the likelihood of erroneous objections. A COT flag is used in the electricity industry,

therefore, the introduction of a COT flag in gas closer aligns gas and electricity transfer processes. This alignment may reduce operational costs incurred by shippers/suppliers and should improve the transfer process for customers who have recently occupied a premise.

Ofgem's View

Ofgem supports measures to improve the customer transfer process. The introduction of a COT flag in gas may improve the transfer process for customers who have recently occupied a premise. Such customers may be experiencing transfer difficulties due to inappropriate objections. The use of the COT flag should reduce these difficulties and remove the possibility of erroneous objections. This modification therefore furthers Transco's relevant objective of facilitating competition in gas supply.

Ofgem's Decision

For the reasons set out above Ofgem has directed Transco to implement this modification.

We consider that the use of the COT marker during Transco's change of supplier process should facilitate transfers by reducing the likelihood of inappropriate objections.

If you wish to discuss any aspect of this letter please do not hesitate to contact Roger Morgan on 020 7901 7346 or via email at roger.morgan@ofgem.gov.uk

Yours sincerely

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