

Modification Report
Release of the Identity of the Incoming Shipper/Supplier to Incumbent upon Supply Point
Transfer Processes
Modification Reference Number 0487
Version 4.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

That the identity of the incoming or confirming shipper/supplier is disclosed to the incumbent shipper/supplier following confirmation. Initially, this can be facilitated by Transco being able to disclose the identity in response to an enquiry or request for information (RFI).

In the context of the current Ofgem consultation on the governance of the Change of Supplier process, we suggest consideration be given to incorporation of this detail within the file format with which Transco notifies the incumbent shipper of the confirmation of the supply point.

2. Transco's Opinion

In justification of this Proposal, the proposer (BGT) states "The current process for transfer of customers, while effective in a vast majority of cases, does result in a significant minority of exceptional cases which need manually addressed e.g. Erroneous transfers." It is Transco's opinion that releasing this information for 100% of supply point transfers would be neither necessary nor economical as less than 2% of supply switching results in an erroneous transfer(Source - Ofgem's "Review of domestic gas and electricity competition and supply price regulation - Evidence and Initial Proposals to ease of switching"). It is also noteworthy that Ofgem's Erroneous Customer Transfer Charter (developed by Ofgem & Energywatch in consultation with and supported by the industry) puts an emphasis on reducing the existing 2% by other means.

Transco remains sympathetic towards the objective of decreasing erroneous transfers but feels that the existing process whereby Users can request information via the Request for Information (RFI) bureau is sufficient to resolve the already small number of erroneous transfers until such time that Ofgem's charter has achieved its objective.

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

In their representation the proposer suggests that this Modification Proposal would better facilitate the operation of an efficient transportation system by simplifying the transfer process.

**4. The implications for Transco of implementing the Modification Proposal , including
a) implications for the operation of the System:**

None identified.

b) development and capital cost and operating cost implications:

There would be a relatively minor cost to Transco to develop systems.

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:

Transco has not identified any such consequences.

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

Transco is not aware that any additional contractual risk would be introduced if this Proposal were implemented.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

In order to develop this Modification Proposal a relatively minor change to Transco's UK Link System would need to be implemented.

Beyond the need to receive additional data, Transco is not aware of any impact on User's computer systems.

7. The implications of implementing the Modification Proposal for Users

Implementation of this Modification Proposal might give some Users a marketing advantage as Transco would be routinely releasing potentially confidential information to the outgoing User.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

If implemented this Proposal might improve a small minority of consumers experience of the transfer process. On the other hand, some consumers, might be exposed to the outgoing

Shipper/Supplier trying to win back business through unwelcome, targeted, marketing exercises.

Transco is not aware of any impacts on any other parties.

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

Transco would not wish to implement this Proposal if it created any tension with Standard Condition 31 of the Gas Transporters' Licence, which facilitates supply point transfer, by releasing information to customers and/or their agents.

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

Advantages

A small number of erroneous transfers may be dealt with more efficiently

Disadvantages

A marketing advantage may be gained by some Users in identifying their successful competitors

Potentially confidential data would be moved around the industry with no clear purpose on 98% of occasions.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Seven representations have been received in respect of this Modification Proposal. Four are supportive and three are against implementation of the Modification Proposal.

Two respondents (Shell Gas Direct & Cinergy) both believe this Modification would not further the relevant objectives and Shell Gas Direct states "...We do not consider it appropriate for the incumbent supplier to receive this information. There is significant potential for this information to be used not only for assisting the few customers who are affected by ETs but also for marketing strategies. Many customers in the I&C market would prefer not to reveal to their outgoing supplier who won the latest tender. It does not seem sensible to undermine customers' preference through a modification to the Network Code....".

Scottish Power also believes this information may be used for marketing purposes and to assist in the 'win back' of lost customers rather than for the purposes of resolving Erroneous Transfers, and goes on to state "...Scottish Power has fully participated in Industry discussions on the introduction of the 'Erroneous Transfer Customer Charter' and in our

opinion believe that initiatives within the Charter will serve to reduce the 'true' number of Erroneous Transfers with continued monitoring and reporting by Ofgem...".

BGT believes that the disclosure of this information does not give any commercial advantage to a supplier in the ability to identify their 'successful competitor'. BGT goes on to state "...We believe that this Modification Proposal will better facilitate relevant objectives of operation an efficient transportation system by simplifying the transfer process...".

Transco believes that this Modification Proposal does not further any of the relevant objectives as there is currently a process in place to release this information when an erroneous transfer has taken place. This Proposal seeks to replace a successful manual process with an electronic one which will result in data being unnecessarily released in over 95% of supply point transfers.

Two respondents (BP & TXU) believe that the release of the incoming shipper/supplier identity to the incumbent upon supply point transfer would assist all parties in resolving disputed transfers and improve the transfer of customers between shippers and suppliers.

Innogy, which supports this Modification Proposal in principle would like a better understanding of exactly how and at what stage in the process the relevant shipper and supplier identities will be made available. Innogy also states "...If this modification is accepted, we would expect Ofgem to ensure that it is not misused by suppliers (particularly dominant ones) as a vehicle for gaining commercial advantage over others, but that it is used in the spirit in which it is proposed, namely to improve the gas customer transfer process...".

Transco's response is that the proposer states in the Nature of the Proposal that this information should be disclosed following the incoming shipper/supplier confirmation. Transco agrees that if directed to implement, it would be appropriate for the information to be released following the confirmation becoming irrevocable as release earlier than D-7 would permit speculative confirmation for the purpose of ascertaining the incumbent which could allow a marketing advantage. As stated previously once the confirmation has become live shippers/suppliers can already contact the Request for Information(RFI) bureau for this information.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

Transco does not believe that implementation of this Proposal is required to comply with any safety or other legislative requirements.

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

Transco is not aware of any such requirements.

14. Programme of works required as a consequence of implementing the Modification Proposal

Beyond a relatively minor UK-Link change, Transco is not aware of any works which would be required as a consequence of implementation of this Modification Proposal.

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

If directed to implement, a change to Transco's UK-Link system would be required. This may take several months to complete. However, in the case of an erroneous transfer, incumbent Users are already able to gain the new User's details via the RFI bureau.

16. Recommendation concerning the implementation of the Modification Proposal

Transco does not at this stage recommend implementation as it does not believe the Proposal furthers the Relevant Objectives.

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 revised Modification Report contains Transco's proposal not to modify the Network Code but has been prepared following direction from the Gas & Electricity Markets Authority.

19. Text

Section G

Paragraph 2.5.3. Add new 2.5.3(b)(iii) to read:

"(iii) that it consents to the disclosure of the information by Transco in accordance with paragraph 2.8.8(b)".

Paragraph 2.8. Delete and replace with:

"2.8.8 In the case of a Supply Point Confirmation within paragraph 2.8.1, after the Objection Deadline and not later than the fifth Day before the Proposed Supply Point Registration Date:

- (a) Transco will notify the Proposing User whether the Supply Point Confirmation has become effective, setting out (where it has become effective, and without prejudice to paragraph 2.7.5) the details of the Supply Point to be recorded in the Supply Point Register;
- (b) (where the Supply Point Confirmation has become effective) Transco will notify the User (which was the Existing Registered User immediately preceding the effective date of the Supply Point Confirmation) of the identity of the Proposing User (that has become the Registered User) and the identity of the supplier (that has become the supplier) in respect of the Supply Point recorded in the Supply Point Register and which is the subject of such Supply Point Confirmation.

Signed for and on behalf of Transco.

Signature:

Steve R Phillips
Director of Shipper 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 **0487**, version **4.0** dated **27/05/2002**) 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 **4.0**.

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 appropriateprovided 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.