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Our Ref: Net/Cod/Mod_0476

To : Transco, Shippers & other interested parties

20 September 2001

RE : Modification 0476 'Removal of the requirement to nominate Smaller Supply Points on first registration'

Ofgem has considered the issues raised in modification proposal 0476 'Removal of the requirement to nominate Smaller Supply Points on first registration.' Ofgem has decided to direct Transco to implement the above modification. In this letter, we explain the background to the modification proposal and set out the reasons for making this decision.

Background

Following Ofgem rejection of modification 0347 'Amendment to the Supply Point Administration (SPA) process for the creation of new domestic Supply Points' Scottish Power raised modification 0476 on 20 June 2001. The aim of the above modification is to remove the nomination stage from Transco's greenfield domestic SPA registration process. The removal of the nomination stage was discussed extensively during Transco's SPA workstream and was supported by the industry and Ofgem.

Modification Proposal

Modification 0476 proposes to simplify the first registration of smaller supply points by removing the need for shippers to nominate new domestic sites. For the avoidance of doubt where an aggregation takes place which involves a new domestic supply point, the requirements to nominate would remain.

View of Respondents

Shippers who responded to Transco's consultation support implementation of this modification. Below is a brief summary of shipper views with a discussion and conclusion.

- Shippers suggest that the removal of the nomination stage may reduce the workload of shippers. Transco's greenfield domestic site registration process will be less complex.
- The removal of an SPA transaction (nomination stage) results in a three business day reduction to associated SPA registration timescales which may improve shippers abilities to register sites in a timely manner.

A number of greenfield domestic sites on Transco's systems were subject to late registration by shippers. When the industry discussed the causes of late registrations, some shippers suggested that delays were partly due to the complexity of Transco's greenfield domestic site registration process. Removal of the nomination stage will reduce the complexity of this process and may lead to quicker domestic greenfield site registrations. Changes to Transco's network code which reduce its smaller supply registration timescales (on first registration) by three business days is a welcomed development.

One respondent although supportive of the modification raises the following concerns :

- The industry should introduce a co-ordinated approach when considering business process changes and requisite system developments.
- The industry should consider an agreed process for the implementation of modification which result in significant systems changes.

The timing, implementation and management of systems changes is closely linked to requirements to revise governance arrangements in gas. Ofgem issued a consultation document ¹ on 21 July 2001 which discussed options to revise gas governance arrangements to support the introduction of metering competition. Ofgem is currently considering responses. Revised governance arrangements may alleviate some of the shippers concerns which are shared by other shippers. However, it is appropriate for Transco to use the UK Link

¹ 'Gas Supply Market : Change of Supplier Process and Governance Arrangements'

Committee meeting to manage the timing, planning and implementation of any associated IT change.

Ofgem's View

Ofgem notes shipper support for the modification proposal and believes that the removal of the nomination process for greenfield domestic sites will reduce the complexity of the registration process. Therefore, this modification better facilitate Transco's relevant objective of running and economic and efficient pipeline system.

Ofgem's Decision

Taking into account the arguments set out above, Ofgem has decided to approve modification 0476.

Should you require further information regarding this subject, please contact Roger Morgan (020 7901 7346)

Yours sincerely

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