

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0405

"Amendments to the process for registration of new NDM supply points <732,000 kWh"
Version 1.0

Date: 12/06/2000

Proposed Implementation Date:

Urgency: Non-Urgent

Justification

Since the introduction of supply competition to the industrial & commercial and domestic gas markets, the ability of some customers at new sites to change supplier has been inhibited. This has been caused through non-registration of new Supply Points in a prompt and timely manner. This problem is particularly prevalent where the Supply Point is new, has an aggregate AQ <732,000 kWh, has involved a meter installation and where a Meter Point Reference ('M') Number has been created. Despite monitoring and reporting of relevant statistical information, little material improvement has been achieved to date, even though the issue has maintained a high industry profile.

Transco believes, and the shipping community acknowledges, that the current position is unsustainable given the extent of the problem and additional measures are therefore necessary to promote and facilitate the prompt registration of New Supply Points. These measures include modification of the Network Code.

Transco believes that resolution of the principal concerns may be achieved as follows:

That the current Network Code standards of service regime with respect to New Supply Point registration (originally established by Modification 0025) be revised to introduce a 'compliance incentive'.

That the existing 'start up gas' period permitting gas to be offtaken prior to registration be reduced in consideration of the implementation of Modification 0335 (which reduced the confirmation timescale for new supply points to seven business days).

That relevant processes utilising the Siteworks Reference Number having the effect of preventing unrestricted nomination/confirmation be amended.

Nature of Proposal

Modification of the Network Code is required to facilitate the following with respect to Supply Points <732,000 kWh:

The implementation of a revised incentive regime for New Supply Point Registration.

A reduction in the period permitted for gas to be offtaken following the completion date of siteworks and prior to registration from twenty one days to fourteen days.

Purpose of Proposal

This Modification Proposal has been raised with the following objectives:

To introduce measures to mitigate the likelihood of a new supply point being unregistered and thereby enable customers access to change of supplier without delay.

To minimise the period during which gas is permitted to be offtaken at a new supply point which is unregistered and thereby limit the shipping community's exposure to mis-allocated charges.

Implementation of the above will further facilitate supply competition in the gas market and promote the efficient use of Transco's pipeline system by ensuring that NDM gas demand is allocated accurately.

Consequence of not making this change

The supplier transfer process will retain inefficiencies arising from unregistered supply points particularly associated with the following:

Safety issues arising from supply point being unregistered: Load shedding, emergency contacts, etc.

Inability for supplier transfers to be reflected on Transco's Sites & Meters database and associated systems in a timely manner leading to possible customer dissatisfaction.

Reputation of gas industry compromised by ineffective processes.

The shipping community will remain exposed to considerable risk arising from:

Mis-allocation of energy and transportation charges arising from unregistered new supply points.

Mis-allocation of transportation charges arising from excessive 'start up' timescales where a supply point offtaking gas is 'shipperless'.

Area of Network Code Concerned

Principal Document Section G7.

Proposer's Representative

Christopher J Warner (Transco)

Proposer

Tim M Davis (Transco)

Signature

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Annex A

Guidelines on submitting Domestic AQ Amendments

Introduction

Ofgem has been closely involved in discussions concerning AQ 2001. We have been assured by Transco, that it has constructed robust systems to calculate, analyse and disseminate AQ values throughout the industry. Equally, we have confidence that Transco has developed sufficient systems to facilitate AQ amendment and appeal volumes, provided reasonable behaviour is exercised. This note is designed to provide some guidance on what constitutes reasonable behaviour.

Guidance

The amendments phase of the AQ review commences, for smaller supply points, on 1 June 2001 and concludes on 13 August 2001. Prudent and sensible use of systems during this window will ensure that all amendments are processed and responded to in a timely manner by Transco. Therefore, Ofgem **strongly** urges shippers not to submit large volumes of amendments towards the final stages of this phase. That is, we expect shippers to distribute amendments reasonably and evenly throughout the time period.

Furthermore, Ofgem suggests that shippers/suppliers consider carefully the reasons for submitting amendments, which must be consistent with the rules of Transco's network code. Provided that Transco can demonstrate its adherence to code (i.e that it has utilised the latest valid reading and an additional reading greater than 6 months earlier), Ofgem expects there to be limited reasons as to why a shipper/supplier would have grounds to challenge this value. Ofgem suggests that a shipper/supplier deciding to challenge an AQ value, should be able to demonstrate at least one of the following circumstances :-

- the Transco proposed AQ was calculated utilising inaccurate meter asset data;
- the Transco proposed AQ was calculated utilising inaccurate meter reading data; and
- Transco did not propose a revised AQ for 2001.

In all cases any amendment should satisfy AQ tolerance requirements.

Possible consequences of failures to comply with licence conditions

The relevant shipper licence conditions which apply to the AQ process are standard condition 2 (2) and (3). Set out below is a brief summary of these licence conditions.

Condition 2 (2) obliges the licensee not to pursue any course of conduct which is likely to prejudice :-

- (a) the safe and efficient operation, from day to day, by a relevant transporter of its pipe-line system;
- (b) the efficient balancing by that transporter of its system or;
- (c) the due functioning of the arrangements provided for in its network code.

Condition 2 (3) outlines the licensee's obligations to provide transporters with information about the amounts of gas to be delivered to a transporters pipe-line system. The licence condition states that shippers should not "knowingly or recklessly act in a manner likely to give a false impression to a relevant transporter as to the amount of gas to be delivered by the licensee on a particular day to that transporters pipe-line system or as to the amount of gas to be comprised in its offtakes there from on that day-"

The Gas Act 1986 provides Ofgem with powers to enforce licence conditions. In the event of a licence breach occurring, there a number of options open to Ofgem. For example, formal action may be taken against the licence holder in accordance with the Gas Act 1986.

Under the Utilities Act Ofgem also has powers to impose financial penalties on a licence holder where it is satisfied that the licensee has contravened or is contravening any relevant condition of its licence or relevant requirement of the Gas Act 1986. The Act 1986 (as amended) suggests that a penalty must not exceed 10% of the turnover of the licensee.

Monitoring

Transco is able to produce sophisticated reports that will indicate, amongst other things, shippers compliance to Transco's network code. Ofgem will have regular meetings with Transco throughout the AQ process to review these reports closely, to monitor compliance to the above guidelines and to evaluate the effects of shipper activities throughout the AQ process.

Conclusion

In general terms, Ofgem is disappointed that it is necessary to provide guidance on what constitutes reasonable behaviour during the 2001 Domestic AQ. However, Ofgem advises shippers and Transco to carry out their obligations during the 2001 AQ process in such a way as to preserve RbD as a simple and effective basis on which to determine quantities used for the purposes of calculating transportation charges. If monitoring reports suggest that a shipper via the AQ process fails to comply with the terms of Transco's network code and pursues a course of action that places it in breach of its licence obligations as set out above then further action may be taken against the licence holder.