

**CODE MODIFICATION PROPOSAL No. 0092**  
"Provision of a Supply Point Enquiry Service for Smaller Supply Points"  
Version 1.0

**Date:** 10/07/2006

**Proposed Implementation Date:** 14/08/2006

**Urgency:** Urgent

**Proposer's preferred route through modification procedures and if applicable, justification for Urgency**

(see the criteria at [http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752\\_Urgency\\_Criteria.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf))

Corona Energy requests that the Authority determines that this modification should be classed as urgent on the basis that the arrangements should be implemented in the shortest time possible. The proposal seeks to reintroduce a service previously provided by xoserve, on behalf of the Transporters, but since withdrawn unilaterally and without notice. The ad hoc enquiry service for Smaller Supply Points is of commercial significance to certain shippers and, therefore, customers at this current time as the majority of Small and Medium Enterprises are going to tender for the supply of gas over the next Gas Year. A number of customers with multi-site portfolios often include individual Smaller Supply Points which, when aggregated, result in significant volumes of gas supplies. Any delay in implementation will greatly inhibit a supplier's ability to provide an accurate quote to these types of customers and is likely to lead to over, or under charging in the next Gas Year.

In addition, there will be implications for Users which are seeking to manage volume risk on the basis of limited information.

In essence the service which had been made available by xoserve, on behalf of the Transporters, provided critical information which permitted the supplier/supplier to accurately quote for the supply of gas to Smaller Supply Points (normally contained in a larger customer portfolio). It is also highly possible that the information is an integral component of gas purchasing strategies employed by a number of suppliers/shippers.

The **sudden** and **unilateral** decision, by xoserve to withdraw this information, will;

- seriously undermine suppliers' abilities to more accurately quote for gas supplies for the coming Gas Year;
- discriminate against smaller suppliers as economies of scale exist in relation to price and volume movement risks. Suppliers with large portfolios are less likely to be concerned with variations in individual customer consumption due to the influence of the "portfolio effect". In turn, this will dampen competition for customer supply for the coming Gas Year;
- directly impact suppliers/shippers which rely on accurate information and subsequent forecasts to hedge against wholesale price risk.

Overall, by denying suppliers/shippers access to information, which plays a central role in understanding and forecasting future customer consumption, Corona believes that there will be an upward pressure on prices paid by certain customers in the coming Gas Year.

### **Nature and Purpose of Proposal (including consequence of non implementation)**

Corona Energy has raised this proposal following the sudden withdrawal of the ad hoc enquiry service provided by xoserve, on behalf of Transporters, in recent months. xoserve has stated that the service was withdrawn for reasons of compliance following a recent internal review. In September 2005 xoserve, on behalf of Transporters, agreed, on a voluntary basis, to provide Users with data relating to specific Smaller Supply Points at the request of the User, subject to daily caps. The data mirrored that provided under the electronic enquiry service for Larger Supply Points and New Smaller Supply Points as set out in the UNC.

The information sought by Corona Energy, as an I&C Supplier, applied only to multi-site I&C customers in the event that a number of those sites were classified as Smaller Supply Points. The data received by Corona Energy permitted it to quote, as accurately as possible, for the supply of gas to the customer. This ensured that the quote was competitive and a contract would be entered into based on the best available information at that time. The removal of this service denies the Supplier access to important information which in turn, restricts its ability to offer terms which best reflect the expected consumption pattern of the customer's portfolio.

It is proposed that following the unilateral withdrawal of the service by xoserve, on behalf of the Transporters, that it is reinstated via the formal route of a UNC modification. In order to ensure that the enquiry service is not exploited by Users, for instance as a method for identifying particular classes of customer, it is proposed that it is required that the User obtains written authorisation from the customer, directly or via the relevant Supplier, before making such an enquiry. Such authorisations would not be required to be presented to xoserve at the time of initiating the enquiry, however, they must be retained and presented in the event that xoserve, acting on behalf of the transporters and at its own discretion, requires evidence that authorization was provided. This would create an environment of self-regulation, thereby reducing administration costs and maximizing the efficiency of the service.

Corona Energy proposes that that processes adopted by xoserve, on behalf of Transporters, would be re-instigated in the event that the Proposal is implemented. The processes were offline and could be introduced at very short notice and, we understand, at minimal cost.

In order to minimize costs, it is proposed, that the information provided through the formalized Enquiry Service reflects that which was provided by xoserve under the ad hoc arrangements. The information to be provided by xoserve following an enquiry, therefore, is as follows;

MPR, AQ, SOQ, EUC, Exit Zone and Supply Type.

In addition and consistent with the approach adopted by xoserve, on behalf of the Transporters, it is proposed that the standard Service Level Agreements applied during the application of the ad

hoc service will apply following the formalisation of the process. For completeness the SLAs employed would be as follows;

For an enquiry requiring less than 50 MPR reports, delivery would be D+1

For between 51 to 100 MPR reports, delivery would be D+2

For between 101 and 1000 MPR reports, delivery would be D+5

For over 1000 MPR reports, delivery would be on a reasonable endeavours basis.

Non-implementation of this proposal would inhibit competition in a particular market sector and limit a Supplier's ability to accurately value and price a customer contract. This is likely result in the customer paying more for its gas supply than would have been the case if the consumption data has been made available to the User. In addition particular Users will be exposed to greater wholesale price risk for reasons stated previously.

**Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence**

The implementation of this modification would better facilitate the achievement of the Relevant Objectives by securing effective competition between relevant shippers and between relevant suppliers. The information provided through extending the enquiry service to Smaller Supply Points would better inform quotes provided by suppliers to customers and where applicable, enable shippers to better manage future volume risks. The self-regulating authorisation procedure set out in the proposal would provide the necessary protection to domestic customers and prohibit particular undesirable marketing strategies.

Corona Energy would argue that non-implementation would be discriminatory against smaller Suppliers which face greater exposure to unpredicted variations in customer consumption patterns.

In addition there are likely to be implications for the relevant User as it endeavours to manage the volume and price risk associated with unpredictable consumer consumption patterns. The impacts of this are more likely to be experienced by smaller Users unable to absorb volume variation across more modest supply portfolios.

**Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text**

Corona expects that the provision of this service would have minimal impact on systems, processes and procedures as until recently this service was provided by xoserve, on behalf of Transporters. It is the expectation of the Proposer that the processes implemented at this time would be re-introduced and replicated in the event that this Proposal is implemented.

## **Proposed Timetable**

Submit proposal to Ofgem for decision on urgency:	10/07/06
Ofgem grant Urgent status:	11/07/06
Proposal issued for consultation:	12/07/06
Close-out for representations:	19/07/06
Final Modification Report to Panel:	26/07/06
Modification Panel recommendation:	03/08/06
Ofgem decision expected week commencing:	07/08/06
Implementation date (subject to Ofgem's decision):	14/08/06

## **Suggested Legal Text**

To be provided by the Transporter

## **Code Concerned, sections and paragraphs**

TPD  
G1.17

## **Proposer's Representative**

James Crosland (Corona Energy)

## **Proposer**

Mark Pearce (Corona Energy)

## **Signature**

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