

**Modification Report**  
**Facilitating a Supply Point Enquiry Service for Large Supply Points**  
**Modification Reference Number 0253**  
**Version 3.0**

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

**1            The Modification Proposal**

British Gas have raised this proposal to amend the UNC to permit access to a Supply Point Enquiry service for all larger supply points.

Presently, the UNC (G1.17) only permits a Supply Point Enquiry where an Enquiring User is “contemplating submitting a Supply Point Nomination”. This means that, for a User to provide a quotation to a customer, the User must first submit the Supply Point Enquiry to the Transporters Agent and then receive the Supply Point Enquiry data.

The problem is that the process of submitting a Supply Point Enquiry and receipt and secondary processing of this data into a quotation adds time and cost to each User.

If the UNC permitted the provision of the Supply Point Enquiry data for all larger supply points and this data was available to Users to purchase from xoserve as a report, then Users would be able to improve their internal quotation processes, and possibly remove costs from the wider business

Users may then choose contract with xoserve directly for the provision of this report on a commercial basis.

**The Proposal**

This proposal would amend the UNC to enable Transporters to release all necessary data to produce a report to Users containing the same data as available to Users following a Supply Point Enquiry. This Proposal applies to LSPs only.

**2            User Pays**

**a) Classification of the Proposal as User Pays or not and justification for classification**

There are no User Pays implications.

**b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification**

Not applicable.

**c) Proposed charge(s) for application of Users Pays charges to Shippers**

Not applicable.

**d) Proposed charge for inclusion in ACS – to be completed upon receipt of**

**cost estimate from xoserve**

Not applicable.

**3 Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

*Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;*

Implementation would not be expected to better facilitate this relevant objective.

*Standard Special Condition A11.1 (b): so far as is consistent with subparagraph (a), the coordinated, efficient and economic operation of*

*(i) the combined pipe-line system, and/ or*

*(ii) the pipe-line system of one or more other relevant gas transporters;*

Implementation would not be expected to better facilitate this relevant objective.

*Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;*

Implementation would not be expected to better facilitate this relevant objective.

*Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:*

*(i) between relevant shippers;*

*(ii) between relevant suppliers; and/or*

*(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;*

The implementation of this proposal would enable Users to procure a report from Transporters which could improve their internal processes and provide quicker responses to customer quotations. This would improve the customer experience and secure effective competition between relevant shippers and suppliers.

Some Shippers felt the Proposal benefits larger Shipper organisations over smaller Shippers, as the larger Shippers can use available resources to target customers which could be considered detrimental to competition.

British Gas considers this modification proposal will improve competition in the gas market by:

- Improving the accuracy and timeliness of quotations to customers, improving market liquidity and therefore competition.
- Reducing transaction costs which currently represent a significant barrier to competition in a low margin industry such as utilities.
- Increasing the propensity of customers to search for a better deal by improving their ability to do so.
- Ensuring equality of opportunity for all suppliers through the guarantee of equal access.
- Reducing the level of risk suppliers assume by taking on contracts based on information estimated by customer.

EDF Energy felt implementation of this proposal would provide information to Shippers to allow them to cold call and target customers. Those Shippers who could benefit most would be those with larger sales team and call centres, thereby benefiting larger organisations. This could therefore be viewed to be detrimental to competition.

In addition, EDF Energy considers this proposal would place the report delivery under the User Pays contract and there is a risk that signatories to the contract could force through a User Pays service that allowed them to cherry pick customer types, or target a particular Shippers' portfolio. This would also be detrimental to competition.

Scotia Gas Networks considers implementation of this proposal does not further this relevant objective as they consider the proposal benefits larger shipper organisations over smaller Shippers, as the larger Shippers can use available resources to target customers which could be considered detrimental to competition.

***Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers;***

Implementation would not be expected to better facilitate this relevant objective.

***Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;***

EDF Energy considers it would have been beneficial to have had sight of the legal text to inform their response to this area. In particular they note that one potential outcome is that the legal text retains the current wording in section G and introduces new text to section V to allow the Transporters to release this information. Potentially therefore the release of this information under the UNC would be covered by two separate sections. This would not be seen to be efficient.

#### **4 The implications of implementing the Modification Proposal on security of**

**supply, operation of the Total System and industry fragmentation**

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

**5 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:**

**a) Implications for operation of the System:**

No implications for operation of the system have been identified.

**b) Development and capital cost and operating cost implications:**

No development and capital cost and operating cost implications have been identified.

**c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:**

This Proposal would facilitate the release of data by Transporters to produce a report on a non code User Pays basis, therefore there are no development costs associated with this change.

**d) Analysis of the consequences (if any) this proposal would have on price regulation:**

No such consequence is anticipated.

**6 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

No such consequence is anticipated.

**7 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

No changes to systems would be required as a result of implementation of this Proposal.

**8 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

*Administrative and operational implications (including impact upon manual processes and procedures)*

Only those Users who wish procure the report will be impacted. No other User or Transporter will be impacted. Unlike the present Supply Point enquiries, the

provision of MPRN and Post Code would not be required.

***Development and capital cost and operating cost implications***

No such costs have been identified.

***Consequence for the level of contractual risk of Users***

No such consequences have been identified.

**9 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party**

EDF Energy felt implementation of this proposal would significantly increase the volume of information available to Shippers instantly. Whilst this may improve the ability and speed to quote a customer, EDF Energy note that this would depend on system functionality and so may only have a beneficial impact for certain Shippers and consumers. At the same time this information does however increase the potential for cold calling and targeting of customers. This could therefore have a detrimental impact on the customer experience.

EDF Energy are also unsure as to whether consumers are happy with the concept that all of this data is readily available. Recognising that under the UNC all information transmitted via UK Link is owned by the Transporters. EDF Energy consider implementation of this proposal will have a detrimental impact on this area.

**10 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal**

No such consequences have been identified.

**11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Advantages**

- This Modification Proposal will enable Users to procure a report which will allow them to respond to customer quotation requests in a timelier manner.

**Disadvantages**

- The Modification Proposal has the potential to allow the targeting of customer groups without the receipt of an enquiry from a customer.
- This Modification Proposal facilitates the release of data for multiple Supply Points which may be less up to date than if requested for individual Supply Points.

**12 Summary of representations received (to the extent that the import of**

**those representations are not reflected elsewhere in the Modification Report)**

Representations were received from the following parties:

<b>Organisation</b>	<b>Position</b>
British Gas	Supports
EDF Energy	Not in support
E.ON UK	Not in support
National Grid Distribution	Supports
Major Energy Users Council	Not in support
RWE npower	Supports
Scotia Gas Networks	Offered comments
Scottish and Southern Energy	Not in support

In summary, of the 8 representations received, 3 supported the modification proposal, 4 did not support the modification proposal and 1 offered comments.

British Gas considers the Modification Proposal has the following benefits:

- Significant improvements in competition,
- Improvements in the existing service offered by xoserve,
- Reduced costs to customers,
- Reduced costs to suppliers, and
- Solutions to market deficiencies identified in the Ofgem Energy Supply Probe.

In addition, British Gas considers the current industry arrangements mean that when a customer requests a quotation from a supplier, that supplier can only provide them with a price estimated from information the customer provides.

Currently the supplier will only be able to provide that accurate quotation two or three days after any request has been received, once a Supply point Enquiry has been made, and the Transporter has provided the supplier with the industry held Annual Quantity (AQ) data. Considering this data already exists in a useable format, this delay is wholly unnecessary and only serves to significantly increase the transaction costs, reduce transparency, liquidity and market efficiency, and therefore provide a barrier to competition.

EDF Energy considers this proposal would allow Transporters, via their agent, to release all the data that is available at a Supply Point Enquiry for all LSP MPRNs without the requirement for a Supply Point Enquiry. The format of this report and the information contained within the report are outside of the scope of this proposal as they would be governed through the User Pays Contract.

However, EDF Energy note that compared to the UNC the Governance arrangements around the User Pays Contract are limited with only signatories being able to raise or implement changes to the contract. They therefore believe that this will be detrimental to the achievement of the relevant objectives.

In addition EDF Energy note that:

- Under the User Pays Contract there are no limits as to the type of reports produced. This could therefore result in reports being developed that target particular Shippers' portfolios, or particular customer classes. This could be considered detrimental to competition.
- Only Shippers who have signed the User Pays Contract are able to vote on any changes to it. Currently only a handful of market participants have signed the contract.
- Currently Shippers can only gain access to this information by submitting a Supply Point Enquiry, thereby creating an audit trail as to which Shippers have submitted a Supply Point Enquiry for sites. However implementation of this proposal will remove this audit trail, potentially opening up the ability to abuse this information.
- The UNC currently requires Shippers to be "contemplating submitting a supply point nomination" when submitting a Supply Point Enquiry. Whilst EDF recognise that the intent of this wording can be debated they believe that this requires Shippers to have had contact with the prospective customer prior to submitting a Supply Point Enquiry.

EON UK note the issue of supply point transfers in this market sector has been examined on a number of occasions throughout the introduction and development of what is a highly competitive market place for I&C customers and suppliers. This has resulted in a voluntary Code of Practice supported by most shipper/supply businesses which lays down detailed principles including quotation timescales recommended to provide sufficient time to ensure that customers are able to switch supply effectively. At no time has the current supply point enquiry service been identified as an obstacle.

EON UK consider a report as envisaged under the Proposal could be used to trawl the market to 'cherry pick' apparently attractive customers and perhaps more importantly to disregard apparently un-attractive customers.

The basic principle should be that customers seeking quotations should be able to issue tenders and have them responded to and not for suppliers to market only to a certain select group based on limited information. Therefore, EON UK considers this proposal could in fact be counterproductive to effective competition.

The Major Energy Users Council (MEUC) considers the heart of this proposal is, who owns the data held by xoserve? MEUC have always believed that the consumer owns the data that is held on the system and it is for the consumer to authorise release of this data to suppliers' of their choosing.

National Grid Distribution recognises that the Supply Point Enquiry service provides information to a User which is necessary to enable it to make an assessment of the costs to which it would be subject if it were to become the Registered User of a Supply Point. In doing so, this service clearly facilitates competition between relevant Shippers and Suppliers. Therefore, facilitating

the provision of a service which provides for efficient conveyance of information which can already be obtained by submitting a Supply Point Enquiry would appear to further enhance the facilitation of Standard Special Condition A11(1)(d) of the Transporters Licence (the securing of effective competition between relevant Shippers).

National Grid Distribution note that (under TPD V5.2.1(b) each User is obliged to secure that Protected Information is not used by such User for any purpose other than one expressly contemplated by the Code. Therefore, National Grid Distribution consider the Proposal should state for what *purpose* the information obtained by the User (via the proposed report service) would be utilised by that User and that this be reflected within TPD G1.17.

RWE Npower do not feel that the approval of the Proposed Modification will necessarily provide an advantage to large suppliers over small suppliers as it may also be the case that the Proposed Modification, if implemented by Ofgem, will assist new entrants into the market by giving them a better view of information relating to potential customers from the start, thus providing a level playing field.

Scotia Gas Networks has concerns regarding data protection with regards to provision of supply point enquiry data and consider that these have not been a) fully identified and b) satisfied by the Proposer. Scotia Gas Networks had hoped following the Distribution Workstream, written confirmation would have been provided to confirm that the ICO had no concerns with the Transporters providing this information, unfortunately this has not been made available.

Scottish and Southern Energy (SSE) have expressed concerns that a list of Supply Point Enquiry Data will only be accurate at the time the list is produced. Certainly suppliers/shippers may quote from this information but they would be doing so at risk as the data may have changed since the list was produced. Depending on how this is handled by the supplier, this risk may be passed to the consumer or be retained by the supplier. However, in the case of the former it is clear that this would not be beneficial to the consumer.

SSEs own observations are that prudent consumers at Large Supply Points will obtain quotes for their gas supply in a timely manner either through direct contact or via a tendering process and would not expect an immediate quotation. Consumers have rarely indicated this is an issue and is not a level of service that they are indicating they require. What is of greater importance to the consumer is that the quotation is and remains accurate and is not adjusted after it has been accepted.

Although the modification does not specify how the data will be produced and passed to shippers, SSE is concerned that the data will reach parties other than shippers and suppliers - parties such as energy brokers. Once the data is available then confidentiality can no longer be guaranteed. There is no visibility or mechanisms in place within the Industry to ensure that the data is handled appropriately and that the governance in place is adhered to.

SSE commented that Consumers themselves feel that this data about their energy use and behaviours is their data. Whilst the Data Protection Act does not afford them protection in the same way as domestic consumers, SSE felt

that their concerns should be considered.

**13 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation**

No such requirement has been identified.

**14 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence**

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

**15 Programme for works required as a consequence of implementing the Modification Proposal**

No programme of works would be required as a consequence of implementing the Modification Proposal.

**16 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)**

The Proposal could be implemented with immediate effect following direction from Ofgem.

**17 Implications of implementing this Modification Proposal upon existing Code Standards of Service**

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

**18 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel**

At the Modification Panel meeting held on 20 August 2009, of the 8 Voting Members present, capable of casting 10 votes, 6 votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this Proposal.

**19 Transporter's Proposal**

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

**20 Text**

Legal text has been provided as a separate document.

For and on behalf of the Relevant Gas Transporters:

**Tim Davis**  
**Chief Executive, Joint Office of Gas Transporters**