

Development Workgroup Report

Modification Proposal 0227

Cancel Confirmation facility for Smaller Supply Points

1. **Extent to which the proposed modification would better facilitate the relevant objectives:**

The proposed modification simplifies the process of correcting erroneous domestic confirmations made as part of the Supply Point transfer process to ensure that ultimately, the End Customers preferred Supplier/Shipper takes ownership of the Supply Point. This will be achieved by the introduction of a cancel confirmation facility for any domestic confirmation up to the end of D-8, to the Network Code. The provision of the facility will involve the development and implementation of new functionality to the UK-Link Supply Point Administration system (SPA).

The modification supports the roll out of competition to the domestic market.

2. **The implications for Transco of implementing the Modification Proposal, including:**

i) **implications for the operation of the System and any BG Storage Facility:**

None identified

ii) (aa) **development and capital cost and operating cost implications:**

To the extent of those associated with enhancing the functionality of Transco's UK-Link system.

(bb) **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:**

The costs to Transco will be treated as ordinary business costs, being dealt with via the Formula. An allowance has been made within Transco's cost base for developments associated with the implementation of domestic competition.

(iii). **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:**

As with all systems implementation initiatives, some risk will apply with regard to deliverability of the changes although these are mitigated by the application of an extensive development and testing programme by Transco.

3. **The development implications and other implications for computer systems of Transco and related computer systems of Relevant Shippers:**

The modification requires extensive changes to the functionality of Transco's UK-Link Supply Point Administration system. The revised file formats supporting this change were issued to Shippers on 26 March 1998. Shippers will need to modify their internal systems if they intend to utilise the facility.

4. **The implications of implementing the Modification Proposal for Relevant Shippers:**

i) **Administrative and operational implications (if any) of the implementation of the Modification Proposal on Relevant Shippers:**

Shippers will need to implement internal procedures and processes to support the new facility.

ii) **development and capital cost and operating cost implications (if any) for relevant Shippers:**

To the extent of those associated with enhancing the functionality of Shippers internal systems.

iii) **The consequence of implementing the Modification Proposal on the level of contractual risk of Relevant Shippers under the Network Code as modified by the Modification Proposal:**

The modification enables the contracting Shipper/Supplier to establish ownership of the Supply Point more quickly where that Supply Point has been erroneously confirmed by another Shipper.

5. **The implications of implementing the Modification Proposal for terminal operators, suppliers, producers and, any Non-Network Code Party:**

As 4(iii) above. Enables End Customers to be registered under their preferred Supplier as soon as possible where an erroneous confirmation has been made by another party.

6. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each Relevant Shipper and Non-Network Code Party of implementing the Modification Proposal:**

The modification enables the contracting Shipper/Supplier to establish Supply Point registration on Transco's Sites & Meters database at the earliest opportunity where another confirmation has been made in error. The risk of an erroneous transfer of ownership is also mitigated.

There may be circumstances where abuse of the facility ('gaming') has been identified, either by Shippers or by Ofgas (See below), Ofgas have agreed to provide a letter detailing their powers in respect of taking appropriate action. This will be available shortly and will be circulated to Modification Panel members upon receipt by Transco.

7. **Analysis of any advantages or disadvantages of implementation of the Modification Proposal:**

Advantages

The Modification substantially simplifies the process by which an End Customers preferred Shipper may ensure that they are able to confirm and take ownership of a Supply Point where that site has been previously confirmed in error by another Shipper.

Disadvantages

There is a risk that the cancel confirmation facility may be used for 'gaming', ie that an unscrupulous party may make multiple confirmations without a contract being in place thereby 'locking' out other Shippers from submitting bone fide confirmations. The abusing Shipper could then use the opportunity to target a particular area to secure their own contracts. Where they fail to achieve this, the relevant confirmations will be cancelled.

The Development Workgroup have identified the following measures to mitigate this risk:

Statistics of cancelled confirmations will be periodically reported to all Shippers and to Ofgas. It is proposed that an appropriate facility is introduced to support this requirement. A report will be produced on a monthly basis detailing the identity of Shippers cancelling confirmations on a ranked basis. The report will be submitted to Ofgas and all Shippers.

A further security measure in the event of cancellation will be the notification to the incumbent shipper of retained responsibility, ie; a file will be sent to the owning Shipper that a confirmation has been cancelled. This will include a cancellation reason code and identification of the confirming/cancelling shipper.

8. **Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Development Workgroup Report):**

Not applicable.

9. Recommendation concerning the implementation of the Modification Proposal:

The Development Work Group recommend that Modification 0227 is implemented upon the requisite enhancements to Transco's UK-Link system are complete (UK-Link Change Request 2626 - planned completion 19 July 1998).

10. Proposed Text

Principal Document Section G - Paragraph 2.6 and 2.8

New 2.6.4 to read:

- "2.6.4 The Proposing User may in respect of a Smaller Supply Point cancel its Supply Point Confirmation in accordance with paragraph 2.8.1(c), where
- a) a Consumer has cancelled the contract, or contracts, for the Supply to the Consumer of the gas offtaken by such User from the System at the Proposed Supply Point, or where the Proposing User will not be the Supplier, the supplier has informed the Proposing User that a cancellation of such contract or contracts has occurred, or
 - b) the Proposing User has submitted a Supply Point Confirmation which is made in error."

New 2.8.1 (c) to read

- "2.8.1 (c) the Proposing User may, subject to paragraph 2.8.9 (in the case of a Smaller Supply Point) up to but not after the 8th Business Day before the Proposed Supply Point Registration Date (the Objection Deadline) submit to Transco a cancellation ("Supply Point Confirmation Cancellation") in respect of Such Supply Point Confirmation."

New 2.8.9 to read

- "2.8.9 the Supply Point Confirmation Cancellation may not be submitted nor (if purportedly submitted) shall be effective by a Proposing User after the Objection Deadline."

Amend to Paragraph 2.8.6 as follows

- "2.8.6 Where a Supply Point Objection is made and is not withdrawn in accordance with paragraph 2.8.5, or where a Supply Point Confirmation Cancellation has been submitted in accordance with paragraph 2.8.1(c) the Supply Point Confirmation shall lapse and be of no effect, and Transco will so inform each Existing Registered User accordingly. Transco will provide to each Existing Registered User of each Existing Supply Point in respect of which the Supply Point Confirmation Cancellation has been submitted, the identity of the

Proposing User who has submitted such Supply Point Confirmation
Cancellation"