

Modification Report
Introduction of Change of Tenancy Marker to the Confirmation/Registration
process
Modification Reference Number 0591
Version 2.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

To identify when a Confirmation/Registration is a consequence of a customer moving house so that erroneous objections by the incumbent supplier can be avoided.

2. Transco's Opinion

Transco supports Scottish and Southern Energy's Modification Proposal No. 0591 which proposes the introduction of a "change of tenancy"(CoT) indicator into the Supply Point Registration process and believes its role in transacting this data will further facilitate the Supply Point transfer activity.

The "right of objection" is a supplier privilege under Condition 30 of the Suppliers Licence. Condition 47 of the Suppliers Licence establishes that in the event of a change of tenancy the contract of supply should terminate on the date that the customer ceases to own the premises (domestic only). Where information indicating change of tenancy is provided by the Proposing User to the Existing User, subject to the Existing User verifying the accuracy of such information it is reasonable to expect that no objection should be raised.

Scottish and Southern Energy suggests within its Modification Proposal that the Network Code should be amended to state that where a 'Change of Tenancy' marker is populated the Incumbent User cannot object. The sole way this could be enforced within the remit of the Network Code is by Transco rejecting an objection where the 'CoT' indicator is populated. However, while Transco is sympathetic to the principle that the Existing User should not object in the above circumstances Transco does not believe that it should reject any such objections raised for the following reasons:

- The 'change of tenancy' indicator may have been wrongly set by the Proposing User, and,
- The Existing User would have no opportunity to validate whether the Proposing Users claim of CoT was correct.

If this Modification Proposal is implemented the Network Code would reflect that the Existing User should refrain from objecting in the event of a change of tenancy. However, as a Gas Transporter Transco can have no involvement in the governance of the process surrounding the use of the CoT flag.

3. Extent to which the proposed modification would better facilitate the relevant objectives

In the event that the Proposing User populates a 'change of tenancy' field within the Confirmation functionality in Transco's UK-Link system, the Existing User would be made aware that a change of tenancy may have occurred. This measure should facilitate the customer transfer process by reducing the likelihood of erroneous objections resulting in lapsed confirmations. The measures proposed should therefore further enhance effective competition between relevant suppliers.

4. The implications for Transco of implementing the Modification Proposal , including

a) implications for the operation of the System:

No such implications have been identified.

b) development and capital cost and operating cost implications:

Transco would incur costs in amending its UK-Link system. The extent of these costs has not been identified at this stage.

c) 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:

Transco does not propose any additional cost recovery.

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

No such consequences have been identified.

5. 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 Transco would accept no responsibility for the accuracy of the data supplied, implementation of this Modification Proposal would not increase the level of its contractual risk.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

Changes to Transco's UK-Link system would be required. Transco believes that the proposal would also impact Users systems but is not presently aware of the level of that impact.

7. The implications of implementing the Modification Proposal for Users

It is likely Users would need to alter their systems and processes to accommodate implementation of this Modification Proposal.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

If this Modification Proposal were implemented consumers may benefit from a reduction in the number of erroneous transfers.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal

No such consequences have been identified.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages:

A potential reduction in the number of erroneous transfers may result from implementation of this Modification Proposal.

Disadvantages:

The setting of a change of tenancy indicator on Transco's UK-Link system may not necessarily reflect that a change of tenancy has occurred.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Five representations have been received in respect of this Modification Proposal. Two express support and three offer qualified support.

Powergen UK states "...our concern is that there will be some impact to our systems and working processes. Therefore, we would need time to develop the necessary changes if the proposal were approved...". Scottish Power and Scottish & Southern Energy (SSE) both suggest that the implementation date for such a change should be in line with the timescales established within the remit of the Review of Gas Metering Arrangements (RGMA). SSE further notes that "...we do not consider the change to be significant enough to merit a stand-alone date".

Transco concurs with the view of the above respondents which is consistent with its view expressed elsewhere within this Modification Report.

British Gas Trading states "...that there is significant scope for misuse of the Change of Tenancy Marker which is not sufficiently addressed by the legal text provided with the Modification Proposal..." and that "...It is not clear at this stage how such information can be satisfactorily validated. This is especially true as there is no current definition of 'Change of Tenancy' upon which to judge if a 'Change of Tenancy' marker is genuine...". SSE comments "We note

Transco's comments about the reason it should not reject objections by the incumbent shipper. In the electricity market there is no validation on the Change of Tenancy (COT) marker; the onus is on suppliers to be 'honest' in their use of it and there is no evidence to suggest that the COT marker has been abused". SSE expresses the view "...We therefore agree that it would not be appropriate for Transco to 'police' the activity, but that it should merely pass the information on to the incumbent shipper...". Scottish Power suggests "...that a consistent set of guidelines governing the use of a Change of Tenancy flag are developed and adopted across both gas and electricity markets..."

Transco acknowledges the views of the above respondents and believes that the establishment of an appropriate governance framework for use of the COT indicator, outside of the Network Code, may be a prudent measure.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

Implementation of this Modification Proposal is not required to enable Transco to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

This Proposal is not required to facilitate any such change.

14. Programme of works required as a consequence of implementing the Modification Proposal

Systems development work would be required to enable implementation of this Modification Proposal.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

Community concern has been expressed with regard to further system changes other than those within scope of RGMA being expedited prior to metering separation. It is therefore expected that, subject to Ofgem direction, implementation would not occur prior to 3rd quarter of 2003.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal be implemented.

The September 2002 meeting of the Supply Point and Billing Workstream highlighted that Users were opposed to any further system changes prior to metering separation. Transco therefore recommends that any system changes required as a result of implementation of this Modification Proposal should not occur until after the 'hard cutover' date.

17. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. Transco's Proposal

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

19. Text

Section G Paragraph 2.8

Amend paragraph G2.8.1 to read:-

“2.8.1 Where, at the time a User submits a Supply Point Confirmation which is not rejected by Transco, there is any Existing Supply Point in respect of which a Supply Point Withdrawal has not been submitted:

- (a) Transco will, within 2 Business Days after the Supply Point Confirmation was submitted, notify the Existing Registered User of the submission of the Supply Point Confirmation and the Proposed Supply Point Registration Date, but not the identity of the Proposing User;
- (b) the Existing Registered User may, up to but not after the 7th Business Day after the date of notification to the Existing Registered User of the submission of the Supply Point Confirmation "**Objection Deadline**", submit to Transco an objection ("**Supply Point Objection**") in respect of such Existing Supply Point provided that the Existing Registered User shall not submit such Supply Point Objection where a domestic consumer supplied with gas at the Existing Supply Point has ceased or is to cease to own or occupy the relevant premises;
- (c) the Proposing User may, subject to paragraph 2.8.9 (in the case of a Smaller 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.”

Amend paragraph G2.8.4 to read:-

"2.8.4 Transco:-

- (a) will not be concerned with the reason for any Supply Point Objection nor with any question as to whether such an objection is well founded;
- (b) shall, for the purposes of paragraph 2.8.1(b), notify the Existing Registered User of any notification received by Transco from the Proposing User that a domestic consumer supplied with gas at the Existing Supply Point has ceased or is to cease to own or occupy the relevant premises and Transco will not be concerned with the reason for such notification nor with any question as to whether such notification is well founded. ”

Signed for and on behalf of Transco.

Signature:

Steve R Phillips
Director of Shipper Services

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0591**, version **2.0** dated **16/12/2002**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **2.0**.

Signature:

Process Manager - Network Code
Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriate

provided that if the Authority does not so approve the Agreement then Clause 3 shall apply.
2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.