ofgem

Bringing choice and value to customers

Our Ref: Net/Cod/Mod/0688
Direct Dial: 020 7901 7355
Email: nick.simpson@ofgem.gov.uk

14 July 2004

Transco, Shippers and other parties.

Dear Colleague,

Network Code Modification Proposal 688: 'Extension to invoice communication methods in the event of user intention to undertake voluntary discontinuance'.

Having considered the issues raised by network code modification proposal 688, Ofgem has decided to direct Transco to implement the proposal as Ofgem believe that it better facilitates the relevant objectives of Transco's gas transporters licence. In this letter Ofgem provide some background to the modification proposal and explain the reasons for reaching this decision.

Background to the Proposal

Transco communicates with its customers, gas shippers, via shared software applications operated by Transco, known as UK Link. Many of these applications are operated via a secure physical communications infrastructure, which only allows access to those users in possession of certain hardware, operating as a gateway to the network known as the Information eXchange (IX) Network. Shippers are issued with such equipment upon accession to the network code and, conversely, return it following discontinuance.

The Modification Proposal

The modification proposal seeks to amend the network code such that Transco may issue invoices via conventional means, such as mail, email or fax rather than via UK Link systems, to shippers who have been discontinued. This will be subject to certain criteria having been met, which will be specified within the UK Link manual.

Respondents' views

Transco received six representations to this modification proposal, all of which were supportive. Respondents generally stated that the modification would lead to a more orderly and efficient exit from the market.

One respondent felt that the criteria referring to *minimal number of invoices* was too subjective and open to interpretation, and stated a preference that it be removed. However, another respondent stated its support for the criteria, as drafted.

Transco's View

Transco's view is that this modification proposal should be implemented as it will facilitate discontinued shippers orderly exit from the requirements of the network code and the market more generally. Transco disagrees with the respondent who requested that the criteria relating to a minimum number of invoices be removed. It notes that the criteria have been fully developed and agreed with the Supply Point and Billing Workstream.

Ofgem's view

Ofgem notes that this modification relates solely to the means of communicating an invoice and does not change any aspect of how that invoice is calculated, or payment terms etc. Ofgem agrees with the proposer and those respondents who stated that the continuing requirement for discontinued shippers to maintain UK Link communications and the associated equipment does not represent an efficient use of resources.

Ofgem is also content with the proposed criteria. Although the particular reference to a *minimal number* of invoices could be considered subjective, it does not seem inappropriate for there to be a reasonable degree of discretion in the application of these criteria, or that a prescribed number of invoices, which could only be arbitrary, would in any way improve the proposal

Ofgem's decision

Ofgem has decided to direct Transco to implement modification proposal 688, as it will better facilitate the relevant objectives of its Network Code, as set out in Standard Condition 9 of its Gas Transporters Licence, most notably by facilitating the efficient and economic operation by Transco of its pipe-line system.

If you would like to discuss any of the above, please contact Bryony Sheldon on 020 7901 7174.

Yours sincerely

Nick Simpson
Director, Modifications