

Workstream Report
Facilitating a Supply Point Enquiry Service for Non-Domestic Supply Points
Modification Reference Number 0296

Version 0.1 Draft

This Workstream Report is presented for the UNC Modification Panel's consideration. The Distribution/Transmission Workstream considers that the Proposal is sufficiently developed and should now proceed to the Consultation Phase. [The Workstream also recommends that the Panel requests the preparation of legal text for this Modification Proposal.]

1 The Modification Proposal

In January 2010, Ofgem rejected UNC Modification Proposal 0253, “*Facilitating a Supply Point Enquiry Service for Large Supply Points*” citing concerns that the proposal may lead to domestic data being included on any report, and thus presenting potential issues with the Data Protection Act. They also referenced the lack of costs provided for the proposed report, and commented that they believed it was therefore difficult to confirm the proposal met the relevant objectives. Finally, Ofgem commented on the current ambiguity within the UNC about the definition of “contemplated” within section G 1.17.

British Gas have raised this proposal in order to address those concerns whilst still amending the UNC in order to permit access to a Supply Point Enquiry service for all *non-domestic* supply points. In addition, and although British Gas interprets section G 1.17 to mean that we should gain the customer’s permission before submitting a Supply Point Enquiry, we also seek to address Ofgem’s concern about the potentially ambiguous drafting here.

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 Supply Point Enquiry data for all non-domestic 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. In accessing or using the report, Shippers would be warranting that they have the customer’s permission to access this data. This

proposal applies to non-domestic customers only.

2 User Pays

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

This proposal is not User Pays as it will not by itself lead to any new costs, but simply enable future User Pays services to be created.

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

No charges applicable for inclusion in ACS.

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

Standard Special Condition A11.1 (a): *the coordinated, 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 sub-paragraph (a), the (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 sub-paragraphs (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 sub-paragraphs (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 xoserve which could improve their internal processes and provide quicker responses to customer quotations. This would not only improve the customer experience through the acquisitions process but also and secure effective competition between relevant shippers and suppliers by improving the quality of information available for them to provide quotations on.y improving the quality of information available for them to provide quotations on.

When UNC0253 was considered EDF Energy raised a concern that 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 considered 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 considered this proposal did not further this relevant objective as they believed the proposal benefited larger shipper organisations over smaller Shippers, as the larger Shippers can use available resources to target customers which could be considered detrimental to competition.

E.ON UK noted that 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. 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.

However National Grid Distribution recognised 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).

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.

Standard Special Condition A11.1 (e): *so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers’ licences) 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 sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.*

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

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 or capital costs would be incurred.

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 User Pays basis, therefore there will be 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 to procure the report will be impacted. No other User or Transporter will be impacted.

Development and capital cost and operating cost implications

No such costs have been identified.

Consequence for the level of contractual risk of Users

When UNC0253 was considered Scottish and Southern Energy (SSE) expressed concerns that a list of Supply Point Enquiry Data would 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.

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

When UNC0253 was considered 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 were 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

When UNC0253 was considered the modification did not specify how the data would 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.

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

Advantages

- 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.

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 Workstream Report)

No written representations have been received.

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

No such requirement has been identified.

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

No programme for works has been identified.

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

Implementation could be immediate on receipt of a decision.

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 Workstream recommendation regarding implementation of this Modification Proposal

The Distribution/Transmission Workstream considers that the Proposal is sufficiently developed and should now proceed to the Consultation Phase. [The Workstream also recommends that the Panel requests the preparation of legal text for this Modification Proposal.]