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to customers*

The Joint Office, Transporters,
Shippers and other interested parties

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Dear Colleague,

Uniform Network Code modification proposal 007: 'Provision and Maintenance of Large Firm Supply Point Emergency Contact Information by Gas Transporter' (formerly network code modification proposal 728).

Having considered the issues arising from this proposal Ofgem¹ has decided not to direct the implementation of the modification, as we do not believe that it will better facilitate the achievement of the relevant objectives of the Uniform Network Code (UNC), as set out in standard special condition A11 of relevant Gas Transporters Licences. In this letter we explain the background to the modification proposal and outline the reasons for making our decision.

Background to the proposal

Existing Arrangements

Shippers and suppliers are currently required to provide and maintain Emergency Contact Information (ECI) for large firm gas users. The robustness of this data is periodically tested through exercises managed by the incumbent transporter and overseen by the Health and Safety Executive (HSE). The HSE has, as a result of previous exercises, expressed concerns over the robustness of the ECI in allowing the Gas Transporter (GT) to make the appropriate contact with the large firm gas user, thus allowing the reduction of consumption at critical times and avoiding the need to interrupt domestic consumers.

The Gas Advisory Task Group (GATG)

The review of the provision and maintenance of ECI has also been discussed by a sub-group of the GATG, which itself reports into the Energy Emergencies Executive Committee (formerly the GEIEC). With participation of transporters, shippers, suppliers and end consumer representatives, the GATG sub-group has conducted root cause analysis of current difficulties

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The terms 'Ofgem' and the 'Authority' are used interchangeably in this letter

and drawn on the findings and work of a previous exercise undertaken by the Commercial Issues Working Group.

The GATG sub-group's initial objective is to achieve a step change improvement for winter 2005/6. This is to be achieved through an education initiative designed to raise awareness amongst all participants. There are four aspects to this education:

1. A letter has been sent from the Health and Safety Executive (HSE) to all suppliers together with a concise explanatory leaflet which highlights the importance of the process, its purpose, defines ECI data requirements in simple terms and emphasises legal obligations.
2. All affected Suppliers have been asked by HSE to send a similar letter and the leaflet to all firm customers who fall within the scope of the process.
3. Articles containing the same information appeared in appropriate industry journals and trade press.
4. Development of a website and links containing the above and other supporting information.

This activity culminated in an Emergency Contact Week, which ran from 25 to 29 July 2005.

The effectiveness of the initiative will be measured and assessed, and the GATG sub-group will continue to seek more efficient longer term solutions.

Transition from Transco's Network Code to the UNC

This modification proposal was originally raised in respect of Transco's network code, and followed the modification rules pertaining to that code. Following the implementation of modification proposal 745², and in accordance with the Part IV, paragraph 2.1 of the UNC transitional rules, this modification proposal is deemed to be made in respect of the UNC.

At its meeting of 3 May 2005, the UNC Modification Panel agreed to the re-numbering of live modifications carried over into the UNC under the transitional rules, with modification proposal 728 being re-numbered as UNC modification proposal 007.

Ofgem has therefore considered this modification proposal against the relevant objectives of the UNC, as set out in standard special condition A11 of relevant GT licences.

The proposal

The proposal would place the responsibility for management of large firm emergency contact information on the relevant GT. However, Users would still remain responsible for the initial provision of this data as part of the change of supplier process and would retain overall responsibility for satisfying the obligation.

² See www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11299_745_letter.pdf

Respondents' views³

There were nine responses to this modification proposal, of which four supported implementation, one offered qualified support and four were opposed.

All of the respondents offered support for the principle of improvements to data quality and incentives to achieve this, though there was not agreement on the means by which this should occur. Whilst those in favour of the proposal considered that it would provide a more robust and long term solution, the respondent who offered qualified support considered that further analysis was needed on a range of issues. Of those who opposed the proposal, one supported the idea of centralisation of management of this information, but not the proposed timetable, whilst others disagreed with the principle altogether, some of whom supported improved use being made of existing arrangements.

In addition to the above, representations covered a number of common themes, namely:

Cost

Comments from respondents who supported the proposal included the view that any costs incurred by GTs should be dealt with via the price control, although it was considered that these should not be significant as much of the system needed to support the proposal already exists and is in operation. Of responses opposing implementation, one stated the need to see full costings and two considered the proposal would lead to additional costs, one of which believed these could be expected to be significant.

Efficiency / best practice

Responses in support of the proposal suggested that it would realise improvements to the efficiency and effectiveness of the process, including bringing clarity and potentially enabling a greater level of data validation. One also stated that although GTs have the ability to physically isolate to keep the system safe, not having to do so would presumably be more economic and efficient. Comments opposing implementation included the view that the proposal would introduce additional complexity, and could lead to duplication and potential deterioration in data quality. One of these stated that learning from better performers under current arrangements would be a much simpler and more efficient solution at this stage.

Consumer relationship

The longevity of GT relationships with sites, as compared to transient ones engendered by supplier contracts, which are not aligned with the frequency at which this data needs to be re-validated, was highlighted by respondents supporting the proposal. The resulting difficulty of enforcement for suppliers, and that consumers may not associate changes to ECI with commercial supply arrangements, was also noted. In addition, one response stated that the end consumer representatives who were involved in GATG discussions were in favour of the concept of a centralised and centrally maintained system.

³ This section is intended to summarise the principal themes of the respondents' views and is not intended to provide a comprehensive overview of the responses received. These can be found on the Gas Transporters information service (formally known as Nemisys) (<https://gtis.gasgovernance.com>)

Comments against implementation included the view that the proposal would cause confusion for consumers, whose only contractual relationship is with their supplier. It was suggested that as shippers/suppliers have direct contact with customers, they are best placed to identify changes to ECI and that existing data shows that some have managed this relationship effectively. A further respondent considered that contractual arrangements would be necessary to ensure that GTs were able to procure this information.

Relevant objectives

Two respondents stated that the proposal would further the relevant objectives, whilst a third believed it would not, maintaining that there is no evidence that if accountabilities were changed there would be an improvement in performance.

Regulatory

One respondent stressed that the proposal would not affect existing legal and licence obligations, but that it is GTs who need and actively use this information. The respondent went on to draw an analogy between this proposal and the approach taken for DN sales, with regard to operating a centralised SPA service and joint governance functions. Respondents opposing implementation emphasised that relevant obligations rest with shippers and suppliers. Of these, one suggested that the appropriate responsibilities should be clearly identified and relevant obligations and incentives placed on the correct party, and another believed that the proposal would necessitate changes to the GTs' safety cases.

Safety / security of supply

Respondents supporting the proposal highlighted GTs' need for robust information, regardless of which shipper is registered to the site, in order to meet network safety obligations. One stated that the proposal would be the most effective route to ensure that load may be reduced safely and effectively, with another considering that GTs have sufficient powers of enforcement on end users under existing legislation.

One respondent, opposed the proposal, believed that although data is primarily required by the GT, it is of concern to all players. Another (a GT) clarified that it is able to maintain a safe system regardless of the performance of the emergency contact process and expressed the view the process is present to ensure all industry parties work together to achieve reduction in load in an efficient manner, with as minimal disruption to end consumers as possible.

GATG

The ongoing work of GATG was welcomed by a number of respondents. Respondents in favour considered the proposal could deliver benefits in the short term, consistent with GATG's principle of adoption of best industry practice. It was also commented that a centrally managed contact database has been proposed as an enduring solution under GATG. Those opposed to this proposal considered it would be prudent to wait until GATG's work is concluded, although one offered support for GATG proposals in respect of making improvements to the operation of the current regime.

Panel Recommendation

At the modification panel meeting held on 6 July 2005, of the ten voting members present only three were in favour of implementing this modification proposal. Therefore, implementation of this modification proposal is not recommended by the modification panel.

Ofgem's view

Ofgem welcomes and endorses the support offered for initiatives to improve data quality, including in the area of ECI. However, Ofgem would make the following points on this proposal:

Existing obligations

In addition to the provision and maintenance of ECI, suppliers have a number of safety related obligations requiring differing levels of interaction with customers. These range from the provision of information to customers, to receipt and investigation (as necessary), and onward transfer of information from them. Whilst GTs may act on (where received), or otherwise require this information, the above obligations reflect the existence of established routes of contact, via contractual relationships, between shippers/suppliers and their customers.

As well as obligations in respect of sites with firm supply contracts, shippers/suppliers also have responsibility for the provision and maintenance of contact data for interruptible sites within their portfolios. In contrast to firm load shedding, incentives exist in the UNC for shippers to ensure this data is correct, so that interruption occurs when required. UNC penalties apply for failure to interrupt and these are usually replicated in relevant supply contracts with customers. Such incentives appear to have worked successfully to date.

In respect of the provision and maintenance of ECI for sites with firm supply contracts, statistics have shown widely varying levels of shipper/supplier performance. Ofgem understands that collecting and maintaining ECI comes at a cost, and takes the view that those shipper/suppliers with poor levels of performance should not obtain an advantage over others. Ofgem therefore considers that further thought should be given to introducing greater incentives in this area.

GATG

Ofgem welcomes the commitment of resources by a wide range of bodies, including the HSE, to the ongoing review of existing arrangements by a sub-group of the GATG, and notes its intention to achieve improvements to them by this winter. Ofgem also recognises that sufficient time needs to be allowed for such initiatives to be implemented, and for their effectiveness to be subsequently assessed.

The proposal

Whilst placing the responsibility for management of large firm ECI on relevant GTs, this proposal would still involve shippers/suppliers in the initial acquisition of ECI. Therefore, Ofgem considers that it would not necessarily identify or overcome existing issues in respect of the robustness of ECI.

Long term

As noted above, it has been suggested that subsequent to assessment of the outcome of short-term initiatives, review of longer term solutions be carried out by the GATG sub-group. In this regard, during early discussions, the sub-group highlighted the possibility of adopting a centralised web-based solution. However, it is recognised that further work is required in order to determine the most efficient option.

In view of the above, Ofgem considers that further development of these arrangements is required in addition to making use of work carried out to date, through implementation and subsequent assessment of incremental changes to existing arrangements, as proposed by the sub-group.

Ofgem's decision

For the reasons outlined above, Ofgem does not consider that implementation of this proposal would better facilitate the achievement of the relevant objectives of the UNC, as outlined under standard special condition A11.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. N. Simpson', written over a horizontal line.

Nick Simpson
Director, Modifications