

Modification Report
RG0252 Proposal 9: Administration of Shipper Credit Security Contact Details
Modification Reference Number 0306
Version 1.0

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

WWU raised Review Group 0252 “Review of Network Operator Credit Arrangements” in April 2009. This was convened to discuss the appropriateness of the existing credit management arrangements, taking into account the many credit related issues which had occurred since the publication of Ofgem’s “Best practice guidelines for gas and electricity network operator credit cover” (BPG) document.

Background

Currently there exists no centralised register or requirement for up to date Shipper credit contact details, which creates difficulties for Transporters in relation to maintaining up-to-date credit security processes. As a result this may create delays in applying sanctions to Shipper Users and recovering debt which may cause unrecoverable bad debt for Transporters. Currently the existence of non up- to-date contact details provides for an inefficient process and increases unnecessary administrative costs and risk to the Transporter.

Proposal

The intent of this UNC Modification Proposal is to introduce a centralised Shipper credit security contact register which will be administered on behalf of Transporters by their agency.

This UNC Modification Proposal, if implemented, would introduce UNC obligations onto Shipper Users to provide credit security contact details at the point of initial accession to the UNC and subsequently where there are any amendments to these details. The Agency’s role would be to update the database with the information provided.

The Transporters agent will update the contact register with the following details that will need to be provided by each Shipper User:

- a single telephone number
- a single facsimile number
- Credit Contact name

Credit Contact addressWWU raised Review Group 0252 “Review of Network Operator Credit Arrangements” in April 2009. This was convened to discuss the appropriateness of the existing credit management arrangements, taking into account the many credit related issues which had occurred since the publication of Ofgem’s “Best practice guidelines for gas and electricity network operator credit cover” (BPG) document.

Background

Currently there exists no centralised register or requirement for up to date

Shipper credit contact details for Transportation Charges, which creates difficulties for Transporters in relation to maintaining up-to-date credit security processes. As a result this may create delays in applying sanctions to Shipper Users and recovering debt which may cause unrecoverable bad debt for Transporters. Currently the existence of non up- to-date contact details provides for an inefficient process and increases unnecessary administrative costs and risk to the Transporter.

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This UNC Modification Proposal, if implemented, would introduce UNC obligations onto Shipper Users to provide credit security contact details in relation to Transportation Charges at the point of initial accession to the UNC and subsequently where there are any amendments to these details. The Agency's role would be to update the database with the information provided.

The Transporters agent will update the contact register with the following details that will need to be provided by each Shipper User in relation to Transportation Charges:

- a single telephone number
- a single facsimile number
- Credit Contact name
- Credit Contact address

2 User Pays

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

This Proposal is not classified as a User Pays Modification Proposal as it does not create or amend any User Pays services.

b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

No User Pays charges applicable.

c) Proposed charge(s) for application of Users Pays charges to Shippers

No User Pays charges applicable to Shippers.

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 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 coordinated, efficient and economic operation of

(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;

Implementation would better facilitate this relevant objective as it improves the likelihood of collecting debt and mitigating bad debt risk.

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... 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 of this Proposal would better facilitate this relevant objective as it would improve the efficiency of the working of UNC TPD Section V.

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:

There are no implications for operation of the System.

b) Development and capital cost and operating cost implications:

There will be a minimal cost to develop and operate a credit contact database in relation to Transportation Charges.

c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

No additional cost recovery is proposed.

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

Not applicable.

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

The contractual risk of each Transporter may be reduced.

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 such implications have been identified.

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)

Shipper Users will be required to provide credit security contact details in relation to Transportation Charges to the Transporter's agent; this would be a minimal impact.

Development and capital cost and operating cost implications

No implications have been identified.

Consequence for the level of contractual risk of Users

The level of risk is unaltered by this Proposal.

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

No implications have been identified.

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

No consequences have been identified.

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

Advantages

- All DNOs would have access to a central database in case of credit issues in relation to Transportation Charges.
- The sanction process would be more efficient and conducted in a timely manner.
- This would reduce the Transporter risk to debt recovery.

Disadvantages

No disadvantages have been identified.

12 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Organisation	Response
British Gas Trading	Supports
EDF Energy	Qualified Support
E.ON UK	Supports
First:utility	Supports
National Grid Distribution	Supports
National Grid NTS	Qualified Support
Northern Gas Networks	Supports

RWE npower	Comments Offered
Scotia Gas Networks	Supports
ScottishPower	Supports
SSE	Supports
Wales & West Utilities	Supports

In summary, of the 12 representations received, 9 supported implementation of the proposal, 2 offered qualified support, and 1 offered comments.

British Gas Trading considered that simply holding the information does not guarantee a response, e.g. in the event of the relevant contact going on holiday, sick leave, maternity leave etc. Further, it believed that the legal text should include an element of reasonable endeavours. For example, would it be appropriate to require update of the central database in the event of a one day absence? Or a one week absence? Or a one month absence? What about in the event of unplanned absence from work by the named contact?

EDF Energy expressed the following concerns as to the need for this Proposal:

- A UNC modification is not required to facilitate this requirement. In particular EDF Energy has historically raised the issue of notifying Transporters of a change to 24 hour emergency contact details, with some Transporters providing numerous contacts to provide this up to date to, and others providing none. Rather than raising a UNC proposal and obligation to facilitate this, this was resolved through gaining Transporter agreement to provide this information on a contact list. Given the importance of emergency contact details compared to Security Contact details, EDF Energy do not consider this modification is proportionate.
- This Proposal only places a requirement on Shippers and not on Transporters. In particular, independent GDNs are required to provide Security Contact details to National Grid. EDF Energy recently had to update security contact details, and whilst this was successful for the majority of Transporters, they were unable to update one as it was unclear who should be updated. This resulted in a PCG lapsing and the relevant Transporter being unable to contact the correct individual in EDF Energy. Given that the issue appears to focus not only on Shippers providing up to date details, but also Transporters we do not consider a one sided arrangement appropriate.
- Maintenance of a contact list. Recently arrangements were put in place for the Transporters' Agency to maintain and ensure that the list of emergency Shipper contacts were up to date.

E.ON UK expressed concerns that the Proposal will bring consistency in credit arrangements between Transporters, but noted that it is unfortunate that this

service cannot be extended to keeping Shippers updated about changes in contact details at Transporters. Shippers face the same challenges as Transporters in keeping up to date with contact detail changes.

RWE npower would be interested to see the Legal Text alongside the Modification Proposal. Guidance is also required on how this information will be gathered from those Users who have already acceded to the UNC. RWE npower considers that the contact register should also be utilised to articulate notifications referred to in TPD Section V3.3.1 of the UNC.

13 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

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

Implementation is not 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.

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

No programme of works would be required as a consequence of implementing the Modification Proposal.

16 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

It is suggested that this Proposal be implemented on 01 October 2010 to coincide with the implementation of the other credit proposals being considered in this timeframe. Should this date not be achievable, then implementation could take place immediately following an Authority direction.

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 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

19 Transporter's Proposal

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

20 Text

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters