

Modification Report
Customer Requested Objections
Modification Reference Number 0641
Version 1.0

This Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

Where a Customer Requested Objection has been raised by the Existing Registered User and so identified to Transco, Transco would be obliged to pass on details of the objection to the Proposing User.

2. Transco's Opinion

It is Transco's opinion that this Modification Proposal, which has been developed within the Supply Point & Billing Workstream, should be implemented.

Following the conclusion of Ofgem's consultation document 'Objecting in the Domestic Market' (May 2003), a number of measures have been identified that seek to improve the current Supply Point transfer process. One of these is to introduce a new objection reason: - 'Customer Requested Objection' ('CRO'). A CRO would permit a customer to trigger an objection to a proposed Supply Point transfer where it has specifically stated to its current supplier that it has not entered into a contract to transfer supply. Where such an objection has been raised then the Proposing User would be obliged not to proceed with registration of the Supply Point.

To ensure consistency with the relevant new licence condition (Standard 46 of Suppliers Licence), Transco believes that modification of the Network Code is necessary to require Transco to pass on details of a CRO to the Proposing User where they have received notice of such from the Existing Registered User.

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

This Modification Proposal seeks to facilitate a Customer Requested Objection as permitted by the Supplier Licence. Transco believes that implementation would better facilitate its Licence Relevant Objective to secure effective competition between relevant shippers and between relevant suppliers.

If this change were not made Transco would not be obliged to pass on information relating to CROs where supplied by a User.

**4. The implications for Transco of implementing the Modification Proposal , including
a) implications for the operation of the System:**

No implications for the operation of the system have been identified.

b) development and capital cost and operating cost implications:

No such implications have been identified.

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:

No costs would be incurred by Transco as a consequence of implementing this Modification Proposal.

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

Implementation of this Modification Proposal would not increase the level of Transco's contractual risk.

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

No changes would be required to Transco's UK-Link system to facilitate implementation of this Modification Proposal.

Note: Use by Users of the existing 'free text' notification facility available within the relevant objection notification file format would be required, accompanied by the setting of the 'contract' objection reason code. Transco acknowledges that a longer term enhancement could be the introduction of new UK-Link and User functionality which transacts a new 'objection reason code' but that that this is not currently a high priority.

7. The implications of implementing the Modification Proposal for Users

No significant implications are anticipated. It is expected that Users would need to ensure effective procedures are established to ensure that they act appropriately upon receipt of a CRO.

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

Implementation of this Modification Proposal would ensure relevant suppliers were aware that a 'Customer Requested Objection' had been raised.

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

Implementation of this Modification Proposal would ensure that suppliers can rely on information relating to CROs being transferred between them as envisaged by new Standard Condition 46 of the Suppliers Licence.

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

Advantages:

- Establishes a contractual obligation for Transco to pass relevant information between shippers to help ensure that suppliers are able to comply with their Licence condition obligation.
- Improves the inter User/supplier communication process associated with Supply Point Objections.

Disadvantages:

Transco has not been able to identify any disadvantages.

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

Seven representations were received with respect to this Modification Proposal. Six respondents expressed support and one respondent was not supportive.

Powergen commented that the Modification Proposal "enables Transco to notify a Proposing User that a CRO has been raised by the Existing Registered User and thereby preventing the Proposing User from proceeding with the registration of the Supply Point".

Transco would like to clarify that the proposal would have the effect of placing an obligation on Transco to pass on information relating to Customer Requested Objections where such information is supplied by a User. Implementation of the Proposal would not place any obligations on the proposing User. The Proposal simply requires Transco to inform the Proposing User that the Existing Registered User has objected to the Supply Point transfer as a consequence of a CRO.

Shell Gas Direct comments "The modification is predicated on the licence changes now being voted upon. This licence change only affects those with a domestic licence as Standard Condition 46 is part of the domestic section of the licence. We expect separate proposals to be made shortly by Ofgem regarding the objections regime for the industrial and commercial market. However, even if this does not occur, it will remain the case that with the change to SC46, the objections regime for the domestic market and the I&C market will differ.

We recommend that this modification proposal is rejected and that an alternative is proposed focussed on making the changes necessary to allow for customer requested objections to be effected in the domestic market without unnecessary effects on I&Cs. We recognise that Transco has chosen not to make use of the domestic flags and so would suggest that smaller consumers (ie under 2,500 tpa) is used a reasonably close match in the first instance.

SGD does not support this proposal. While it may further effective competition between *domestic* suppliers, it has the potential to undermine for the non-domestic market by introducing inefficient changes to systems which do not benefit this sector. This proposal, if implemented, has the potential lead to a discriminatory approach being taken to market sectors".

Transco's response is that the Proposal is solely concerned with Transco passing information on the the Proposing User where it is received from the Existing User. The Proposal is not concerned with the conditions under which a User is obliged to provide a CRO notification to Transco which is a licence matter. There is no need, therefore, to restrict the Modification Proposal to the Smaller Supply Point market as suggested by the respondent.

Four respondents, BGT, Scottish & Southern Energy (SSE), RWE Innogy and EDF Energy comment on the supporting systems requirements.

SSE expressed a concern with Transco's comment in section 6. SSE stated "Transco acknowledges that a longer term enhancement could be the introduction of new UK-Link and User functionality which transacts a new 'objection reason code' but that that this is not currently a high priority. What is being put in place from November this year are interim arrangements. We are having to put in a manual workaround and are anxious for a systematised solution to be put in place at the earliest possible time. We are therefore very concerned at the comments made in section 6".

EDF stated "we do not believe that the proposed implementation method: e.g. characters (CRO4) go in free format text field, offers a robust solution. We would want to see an implementation that will use a new flag".

RWE Innogy commented that "as customer requested objections are due to be implemented with effect from 27/11/03, we would hope that the UK Link change facilitating this modification be implemented as soon as possible".

BGT, however, concurred with Transco's comments regarding a longer term solution.

Transco's response to the above four respondents is that it is aware that the proposed use of the free text field may not be an ideal solution to transacting the CRO notification. Transco recognises the views regarding the possible benefits of a longer term solution but is also conscious of the signals it has received from the community to minimise systems change in view of the Review of Gas Metering Arrangements (RGMA) programme.

SSE stated that "the opportunity should also be taken to review whether the existing objection reason codes (debt and contract) should be populated at all. Ofgem have confirmed they do not ask Transco to provide them with any information in respect of these codes and therefore we see no justification in Transco being sent this information. In fact, we believe it might also be contrary to the Data Protection Act".

Transco's response is that the Network Code provisions concerning the objection reason code were introduced by Modification 0249 'Mandatory Provision of Reasons for Supply Point Objection' and implemented in November 1998. The original Proposal was raised by Transco based on a recommendation by the Supply Point & Billing Workstream and is supported by UK-Link validation. Transco believes that while data is not reported to Ofgem routinely, the facility is available for data to be provided should this be so requested. Transco's view is that the reason code validation is consistent with maintaining a disciplined approach to utilisation of the objection process and should not be removed. SSE has not stated the reasons why it believes there is a data protection issue and Transco is unaware of data protection act related concerns.

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 would enable Transco to facilitate compliance by suppliers with new Standard Condition 46 of the Suppliers Licence.

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 Modification Proposal is not required to facilitate any such change.

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

No programme of works would be required to facilitate implementation of this Modification Proposal.

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

This Modification Proposal may be implemented with immediate effect.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal be implemented.

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

Principal Document Section G2.8.3. Add:

- “(e) and that Supply Point Objection was raised at the request (whether directly or indirectly) of the Consumer in respect of the affected Existing Supply Point, Transco will, where the reasons for the objection have been provided to Transco by the objecting User, within 2 Business Days after the Supply Point Objection was submitted, notify such reasons to the Proposing User”

Signed for and on behalf of Transco.

Signature:

Sharon McLaughlin
Customer Services Manager

Support 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 **0641**, version **1.0** dated **24/10/2003**) 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 **1.0**.

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.