



*Bringing choice and
value to customers*

Transco, shippers and
interested parties

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Dear Colleague,

RE : Modification 0603 'Reduction of Notice Period Confirmation Process'

Ofgem has considered the issues raised by modification 0603 'Reduction of Notice Period Confirmation Process' and decided not to direct Transco to implement this modification. This letter sets out respondents views and explains the reasons for this decision.

Modification Proposal

Transco's NDM Supply Point Confirmation process can take between 15–30 business days. Scottish and Southern raised this modification to reduce Transco's confirmation period to two business days.

Scottish and Southern Energy (SSE) suggests that this modification will:

- speed up the domestic customer transfer process and enable shipper/suppliers to process erroneous transfers more quickly;
- reduce the administrative burden on shippers, suppliers and Transco and make the change of supplier process more efficient therefore improving customers' perception of the competitive market.

Views of Respondents

The majority of respondents do not support this modification and raised a number of concerns some of these are set out below with a conclusion and a discussion.

Alignment of Gas and Electricity Markets

A number of respondents support the principle of aligning gas and electricity business processes. Some respondents suggest that refinements to the transfer process should be co-ordinated to allow industry participants to pursue amendments in both industries rather than tackling changes in isolation.

The proposer of this modification suggests that it is not seeking to converge gas and electricity processes, alignment is unintentional. The primary aim of the modification is to reduce the minimum period by which a customer can change gas supplier. Whilst the majority of respondents do not support this modification some of the emerging themes are support for aligning gas and electricity business processes and a review of both transfer processes. Both approaches are outside the scope of this modification proposal. That is, integrating and aligning gas and electricity business processes requires debate with a number of non network code signatories i.e Electricity Distribution Companies.

Uncertainty about requirements of modification

A number of respondents require further understanding of the process and IT changes required to support this modification. In particular, one respondent suggests that there is insufficient information within the modification proposal to enable a full assessment of the systems and process changes (required to support this modification).

Although this modification was discussed in Transco's Supply Point Billing Workstream this forum has not discussed in detail the network code and SPA changes required to facilitate this modification. Until this analysis has been undertaken and discussed with industry participants a number of respondents to this modification are unwilling to commit to potentially expensive and unspecified IT changes.

Ofgem's Views

Whilst we are sympathetic to the aims and principles of this modification for reasons set out below we do not believe that this modification furthers Transco's relevant objective of 'operating an economic and efficient pipe-line system.'

Scope of Modification

One of our concerns is that this modification is not a complete solution. The modification seeks to tackle one issue in isolation it does not consider how it impacts a number of key Transco IT and business processes (some of these are set out below). If these consequential changes are not considered the change of supplier process may become unclear which could adversely affect the transfer of some customers.

- Suppliers right to object – currently Transco's SPA transfer timescales allows seven business days for shippers/suppliers to submit/resolve customer objections. We believe that a reduction to transfer timescales should consider carefully how 'the right to object' will be facilitated. This modification does not explain how objections will be effected by a two business day confirmation period.
- Cancel confirmations – Transco's code allows shippers to cancel confirmations in the event that shippers/suppliers do not wish to pursue a transfer. This modification does not explain how a two business day transfer timescale interacts with this facility. This understanding is important to shippers/suppliers who have built systems that are able to cancel confirmations.
- Erroneous Transfers – whilst a two business day confirmation period would facilitate a quicker return to a customers supplier of choice a shorter confirmation period may remove the ability for suppliers to process co-operative objections unless appropriate changes were made in this respect.
- IT system requirements – the system changes to support the introduction of a two business day confirmation cannot be tackled in isolation. This modification would require additional and not yet specified IT enhancements to ensure continuity of the change of supplier process.

Review of Gas and Electricity Transfer Processes

The majority of respondents do not support this modification. However, support is expressed for a review of both the gas and electricity change of supplier processes. Ofgem suggests that pursuing potentially significant changes to both gas and electricity transfer processes is beyond the scope of this modification. If change is to occur in this respect it should be co-ordinated to remove uncertainties i.e about the implementation of arising IT changes.

Ofgem welcomes support for a review of both gas and electricity business processes. Further work in this respect is likely to proceed the joint Ofgem and energywatch industry summit due to take place on 11th June 2003. The summit provides an opportunity for industry parties to consider what changes are required to overcome transfer related problems i.e mistakes in transferring customers and developing a more streamlined transfer process.

We intend to issue shortly a discussion document that sets out a number of principles for assessing change to the transfer process and concludes that the time is now right for the industry to evaluate the options for new arrangements to ensure that when customers switch supplier, the transfer is conducted promptly and reliably. Ofgem will be working alongside energywatch to consider the service entitlement customers should reasonably expect when switching supplier and challenging the industry to commit to delivering that service.

Ofgem's Decision

For reasons set out above we do not believe that this modification furthers Transco's relevant objective of 'operating an economic and efficient pipe-line system.' However, we welcome industry support for a review of the transfer process and we urge industry participants to use the 11th June industry summit as an opportunity to commence the development of detailed proposals that consider impacts on both gas and electricity markets.

Yours sincerely

Iain Osborne
Director, Supply