

OFGEM DECISION LETTER No. 0537
"Reduction in notice period for change to Siteworks terms and procedures"
Version 1.0

Direct Dial: 020 901 7174

25 March 2002

BG Transco, Shippers and Other Interested Parties

Your Ref:
Our Ref : COM/MET/MTR/116

Dear Colleague,

Modification Proposal 0537: Reduction in notice period for change to Siteworks terms and procedures.

Ofgem has considered the issues raised in modification proposal 0537: Reduction in notice period for change to Siteworks terms and procedures. Ofgem has decided to direct Transco to implement the modification, because we believe that the proposal will better facilitate the relevant objectives of Transco's Network Code.

In this letter, we explain the background to the modification proposal and give our reasons for making our decision.

Background to the proposal

The Gas (Standards of Performance) Regulations 2001 create individual and overall standards of performance, which will come into effect on 1 April 2002. These standards will apply in respect of arrangements made for metering services between suppliers and their domestic customers. In order to offer contractual arrangements enabling their customers to discharge their obligations, Transco intends to amend its existing Miscellaneous Meter Works (MMW) Contract and General Conditions of Contract for Discontinuances.

Under section G7.2.4(ii) of its Network Code, Transco is obliged to provide three months notice of changes to contract terms contained within Siteworks Terms and Procedures, which includes the MMW contract. Given that contract terms need to be available for signature by 1 April, the opportunity for a three-month notice period has passed meaning that a reduced period is required.

The modification proposal

For the purposes of implementing revisions associated with the introduction of the Gas (Standards of Performance) Regulations 2001, this proposal would reduce the obligation to provide notice before making changes to contract terms, as detailed above, from three months

to a period of approximately one week. The notice period would remain at three months in all other instances.

Respondents' views

Transco received four responses to this modification proposal of which all were in favour. The majority of respondents did not provide reasons for their support, other than noting that this proposal would ensure that the contractual framework recognises the development of Metering Standards of Performance outside of Network Code. One respondent, despite supporting the modification expressed disappointment with regard to the necessity of raising this Modification Proposal due to other consultations and negotiations not being concluded in a timely manner.

Ofgem's view

Ofgem views the metering Standards of Performance as being interim measures to protect consumers' interests in the absence of effective competition. As a *de facto* monopoly provider of metering services on its network, Ofgem has expressed expectation for Transco to offer contractual arrangements enabling its customers to discharge their obligations. In view of the above, Ofgem welcomes the intention of the proposal to make available such terms.

Ofgem recognises that in order for Transco to offer suppliers contractual arrangements enabling them to meet the obligations in the Gas (Standards of Performance) Regulations 2001 from 1 April 2002 onward, Transco must reduce the notice period required before making changes to its contract terms. Ofgem would agree that it would preferable if consultations and negotiations could be concluded in a timely manner, to avoid the need for modifications of this type and would hope this would occur going forward. However, given the short time remaining prior to commencement of the Standards of Performance, Ofgem accepts the need for this proposal.

Ofgem's decision

Ofgem considers that this proposal is necessary to support the commencement of the metering Standards of Performance from 1 April 2002 and should facilitate securing of effective competition between relevant shippers and between relevant suppliers.

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number.

Yours sincerely,

Bryony Sheldon
Metering Policy Manager