

REVIEW GROUP 0503

“NETWORK CODE IMPLICATIONS OF THE APPOINTMENT OF A SUPPLIER OF LAST RESORT”

Final Review Report

This Proposal was raised by BGT in November 2001 to establish a Review Group to consider the consequences of the appointment of a Supplier of Last Resort (SoLR) in respect of the specific “Shipper” responsibilities for the supply of gas and Energy Balancing.

Under the prevailing NWC rules, the shipper of a Supplier of Last Resort (SoLR) appointed by Ofgem would not assume financial responsibility for energy balancing and transportation charges until the supply points become registered to it on Transco’s Sites and Meters database. Because of the constraints of the UK Link system, in the case of the failure of a large supplier the time taken to transfer the portfolio using existing Supply Point Administration processes could be considerable. Until transfer of all supply points had been completed, Transco would be exposed to any non-paid transportation charges and the shipping community would be exposed to any non-paid energy balancing charges.

The group was established and held several meetings to discuss the issues and consider what relevant modifications would be required to effect the necessary changes to the Network Code.

On 15 January 2002 Transco submitted modification proposal 0524 ‘Shipper Responsibilities in the Event of the Appointment of a Supplier of Last Resort’. This modification addressed the issue of financial responsibility, and stated that until supply point transfer had taken place, Transco would act as agent for the terminated shipper’s account on behalf of the SoLR’s shipper. On 6 June 2002, Ofgem rejected modification 0524 on the grounds that Transco and shippers had not fully investigated all of the options for dealing with the appointment of a SoLR.

The Review Group continued to explore, develop and discount other options for dealing with the scenario, whilst closely following the Ofgem consultation. Transco then developed a method whereby a copy of the failed shipper’s account could be made available to the new shipper. This solution would permit one new shipper to manage the portfolio of the failed shipper until all supply point registrations had been completed. However it would not support the appointment of more than one SoLR. Following agreement with the Review Group, Transco proposed modification 0580 on 23 August 2002 to address the issue by this solution.

After consideration Ofgem decided to direct Transco to implement modification proposal 0580 on 28 January 2003 as it would better facilitate the relevant objectives. However Ofgem were of the view that in some circumstances, such as the failure of a large supplier, the appointment of multiple SoLRs and thus, potentially, multiple shippers may be necessary and requested Transco and the industry to develop arrangements to deal with this scenario.

The group once again reconvened and discussed ways of achieving this. The concept of a lead shipper acting as agent for the whole portfolio whilst Supply points were transferred using existing Supply Point Administration processes was discussed, however it was considered that this arrangement would only be tenable on a short term basis and that if the portfolio was large the time taken to execute the transfers would be too long.

It was agreed that the primary need was for an improvement to the portfolio transfer mechanism. As the topic of portfolio transfers was already being considered by the Supply Point and Billing workstream, it was considered that this would be the appropriate forum for discussions to continue.

It was also agreed that the concept of a lead shipper acting as agent in an allocation arrangement would be also be worth developing and this should be referred to the NT&T workstream.

As these topics are being addressed elsewhere and Modification 0580 has been implemented the Review Group has completed its work.

May 2003.