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All Shippers
c/o , Transco
Network Code Mailing List



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Dear Shippers

CANCELLATION OF CONFIRMATIONS BY SHIPPERS - MODIFICATIONS 150 & 227

Modification Proposals

Modification proposal 150 was proposed by a shipper early in 1997. The proposal is that a facility should be introduced to Transco's IT systems so that shippers are able to cancel their own confirmations. It is envisaged that shippers may have need of this facility, for example, in instances where customers have signed more than one contract, where a site has been confirmed inadvertently or where the customer, quite simply, changes their mind. The proposal was intended to end the difficulties that had been experienced by customers where they were forced to transfer to a new supplier against their wishes. It was also intended to be used by incoming shippers who otherwise needed to arrange that the transfer was objected to by the incumbent shipper. After discussion at a network code review group, the modification was put forward to Transco's Modification Panel with minor amendments, and was called Modification 227.

Despite considerable discussion about this modification proposal, in both a review group and the SPA / Metering Workstream, British Gas Trading (BGT) prevented the Modification Panel's unanimous consent, necessary for the proposal's implementation. BGT considered that the report should be submitted to the Modification Panel with legal drafting and that it should make clear what reporting mechanisms will be introduced. Transco is dealing with each of these issues before its next Modification Panel. BGT also requested a statement be made setting out in detail what regulatory procedures would be followed if a shipper was considered to have used the facility inappropriately. This letter provides such a statement.

Possible Inappropriate Cancellations

Ofgas understands that concerns have been expressed that, in at least two ways, shippers/suppliers may inappropriately use the ability to cancel their confirmations. First, shippers/suppliers may be more inclined to confirm sites with the intention only of obstructing the confirmation of those sites by other shippers (only one confirmation may exist on Transco's system at any one time). Second, shippers/suppliers may confirm large numbers of sites in order to acquire access to Transco's information about that site and to then decide whether or not to pursue a supply point transfer - perhaps on the grounds of the size of consumption or the type of meter in place.

Potential Remedies

Under Standard Condition 2 of the suppliers' licence there is an obligation on domestic suppliers to supply gas to all domestic customers requesting a supply in the suppliers' licensed area. This requirement would clearly be breached by any supplier withdrawing confirmations of domestic customers they considered to be less valuable. Under Standard Condition 2 of the shippers' licence there is an obligation to not knowingly prejudice the efficient operation of the transporter's pipeline system or the due functioning of the arrangements provided for in the transporter's network code. This condition would be breached by any shipper using the supply point transfer facility only to obtain marketing information.

Where a shipper or supplier is in breach of a licence obligation, the Director General may make a provisional or final order under Section 28 of the Gas Act 1986, to avoid continued breach of that licence condition. Under the final order procedure, the Director General may impose monetary penalties upon the licensee, if continued breach was deemed likely.

In addition, Transco's network code provides for the confirmation of customers only where a shipper/supplier warrants that a contract will be in place. The type of misuse over which there are concerns would be a breach of this part of Transco's network code. Ofgas would be keen to prevent such behaviour and would consider favourably any modification proposal (perhaps raised by Transco in fulfilment of its own licence requirement to, for example, facilitate competition) that could be said to best remedy the consequences of a shipper/supplier misusing this facility.

Conclusion

Ofgas considers a modification to the network code to enable cancellation of confirmations by shippers would help smooth the customer transfer process and prevent unnecessary inconvenience to suppliers/shippers and, most importantly, customers themselves. As such, the modification proposed would help facilitate competition between suppliers, and protect the interests of consumers.

There are a number of mechanisms by which Ofgas can ensure shippers and suppliers do not misuse the ability to cancel a confirmation. Which of these mechanisms (either individually or together) Ofgas would chose to pursue in a specific case would depend on the individual circumstances and the evidence available.

Yours sincerely



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