

OFGEM DECISION LETTER No. 0538

"Removal of nomination process for NDM supply points with an AQ of 732,000 kWh or less"

Version 1.0

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25 July 2002

To : Transco, Shippers, & other interested parties

RE : Modification Proposal 0538 'Removal of nomination process for NDM supply points with an AQ of 732,000 kWh or less'

Ofgem has decided to reject the above Transco network code modification. In this letter we set out the reasons for making this decision.

Current situation

Transco's Network Code Supply Point Administration (SPA) processes require shippers wishing to transport gas to sites with an AQ >73,200 kWh to follow Transco's nomination/confirmation process.

- nomination : Shipper file to Transco to obtain a quote for transporting gas to a premise. Transco responds to file with a supply point offer which sets out the terms for transporting gas to a premise.
- confirmation : Shippers acceptance of supply point offer.

Modification Proposal

During September 2001 TXU raised modification 0493. The modification proposed to remove the nomination process for all NDM supply points. Following discussions in Transco's SPA/Metering workstream and off line with shippers, TXU subsequently withdrew this modification. TXU subsequently raised modification 0538 which proposes to remove the nomination stage for sites consuming below <732,000 kWh. That is, the modification seeks to introduce a confirmation only process for sites with an AQ between 73,200 and 732,000 kWh.

Views of respondents

removal of nomination optional

- One respondent expresses support for a proposal with an optional regime.

An optional regime may be difficult for suppliers to manage. That is, suppliers choosing not to nominate larger supply points may have to calculate the applicable transportation charges. Determining transportation charges would be an additional

process requiring systems to calculate and validate charges. Such processes may increase supplier operational and systems costs.

transparency of charging

- Two respondents suggest that supply point details i.e transportation charges are required by shippers prior to submitting confirmations.

For larger supply points shippers rely on the supply point offer which is issued by Transco following a nomination request to obtain particulars about supply points, for example, charges for transporting gas. Shippers use this information to validate and correct data at an early stage i.e prior to submission of confirmations. Removal of the nomination phase removes this validation stage and may expose shippers to additional costs arising from inaccurate site specific data.

Ofgem's View

We do not believe that this modification furthers Transco's relevant objectives, for the following reasons :

- Large supply point transfers processed without nominations may create additional complexities for shippers/suppliers. For example, shippers/suppliers will be required to calculate site specific transportation charges. Calculating transportation charges in this respect will require additional systems and processes. Such processes will increase shipper/supplier costs which may be passed onto customers.
- Removal of the nomination phase reduces shipper opportunities to validate site specific data prior to confirmation. A confirmation only process for larger supply points may expose shippers to additional risks. For example, shippers may confirm larger supply points with inaccurate site data which may in turn lead to inappropriate charging.
- The modification does not state whether the nomination stage will remain for new supply point registration and the re-configuration of supply points. The majority of re-configurations take place in the larger supply point sector.

Ofgem's Decision

Taking into account the issues set out above, Ofgem has decided to reject this modification. If you wish to discuss any aspect of this decision, please do not hesitate to contact Roger Morgan on 020 7901 7346.

Yours sincerely

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Director, Supply