



Shippers, Transco and Other Interested Parties

*Bringing choice and  
value to customers*

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24 February 2004

Dear Colleague,

### **Modification proposal 0641 'Customer Requested Objections'**

Ofgem has carefully considered the issues raised in modification proposal 0641 and has decided to direct Transco to implement the modification. This letter sets out, amongst other things, the reasons for this decision.

### **Background to the proposal**

In March 2003<sup>1</sup> Ofgem proposed changes to the circumstances in which a gas supplier could prevent a domestic customer's transfer to a new supplier. The March consultation considered giving suppliers the ability to prevent an erroneous transfer from taking place by blocking the transfer where the customer states that they have not entered into a contract with the other supplier or where both suppliers agree that the transfer will otherwise occur in error.

In July 2003<sup>2</sup> Ofgem published a summary of responses to the March 2003 document and set out views, decisions and recommendations. One of the recommendations was the introduction of a Customer Requested Objection (CRO) which became a feature of Condition 46 of the Suppliers Licence. A CRO provides for the raising of an objection by the old supplier at the request of a customer, where the customer clearly states not to have entered into a contract with the new supplier. The licence modification requires the old supplier to inform the new supplier that it has raised a CRO.

To ensure consistency with a new licence condition (Condition 46 of the Gas Suppliers Licence) Transco is of the view that the network code should be modified and subsequently raised modification 0641.

### **The modification proposal**

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<sup>1</sup> 'Objecting in the Domestic Market' consultation document March 2003

<sup>2</sup> 'Objecting in the Domestic Market' decision document July 2003

Modification 0641 proposes that in circumstances where a CRO has been submitted to Transco by the incumbent shipper/supplier, Transco would be obliged to pass details of the objection to the incoming shipper/supplier. In the event that a CRO is raised the incoming shipper/supplier would not proceed with the registration of the supply point.

## **Respondents' views**

Transco received seven representations. Six respondents support the modification one respondent was unsupportive.

The majority of supporting respondents raised concerns about Transco's proposed solution to facilitate CROs. This is set out and discussed below.

### Associated System Changes

In its final modification report Transco states 'No changes would be required to Transco's UK-Link system to facilitate implementation of this modification proposal.' Transco concludes that the use of current functionality, the objection 'free text' notification field, will be required to transact CRO details.

One shipper suggests that utilising the 'free text' field will require it to put in place manual workarounds. Two shippers suggest that a systematised solution (to facilitate CRO's) should be implemented as soon as possible.

In its final modification report Transco acknowledges that a longer term solution could be the introduction of a new UK Link CRO objection code. However, this is not a high priority and Transco is conscious of the signals it has received from the community to minimise system changes in view of the Review of Gas Metering Arrangements (RGMA) programme.

Ofgem sympathises with the concerns raised by shippers/suppliers. Ofgem believes that the use of the 'free text field' presents the following difficulties for shippers/suppliers:

- manual workarounds and off-line systems will be required to identify that the 'free-text' field has been used and to capture and process the populated information;
- any mishandling of data could result in delays and ultimately an erroneous transfer. This occurs where the new supplier does not identify that a CRO has taken place and re-confirms the customer.

Following submission of the final modification report Ofgem asked Transco to set out to the industry an indicative implementation date for the IT change request to facilitate CROs. Transco recently set out its intentions to bundle the implementation of a number of change requests (including the change associated with 0641) in quarter four 2004. We expect this proposed timescale and the technical solution will be discussed and developed further in Transco's UK Link Committee meeting.

### Unsupportive Representation

One respondent does not support this modification and urges Ofgem to reject it to allow for CROs to be effected in the domestic market without unnecessary effects in the I&C market. The respondent suggests that the modification has the potential to undermine the non-domestic market by introducing inefficient changes to systems which do not benefit the I&C market.

Whilst, sympathetic to the respondent's concerns this is not a reason to reject this modification for the following reason:

- To incorporate CRO's in the domestic market required an amendment to condition 46 of the suppliers licence. Modification 0641 backs up the licence condition and obliges Transco to pass on information relating to CRO's where supplied by a domestic shipper/supplier. If Ofgem rejected this modification Transco would not be obliged to pass on CRO details and suppliers would have to develop mechanisms to transmit CRO requests;

System changes required to facilitate this modification may require changes to business processes used by both domestic and I&C shippers. It is for NGT to set out the extent of IT changes required to facilitate CROs and explore whether it is possible to minimise system changes for I&C shippers.

### **Ofgem's Views**

Customers should only be transferred where they have entered into a new contract with a supplier. Ofgem believes that if a customer states that they have not entered into a contract to transfer there is merit in allowing the existing supplier to block the transfer. A CRO facility may prevent erroneous transfers which are a source of inconvenience and frustration for customers. This modification provides a necessary safeguard for customers from being transferred erroneously.

We share shippers/suppliers concerns about the use of the 'free text' field and welcome Transco's intentions to develop and implement a more sustainable IT change solution to facilitate CROs.

The interim use of the CRO code needs to be managed robustly by shippers and suppliers. We note that a number of suppliers have agreed to instruct their shippers to populate the 'free text field' with a CRO code as defined in the Domestic Code of Practice (DCOP). In the event that CRO's are processed it would be beneficial if shippers/suppliers use this code so that it is clear that a CRO has been raised to avoid any confusion and to manage the customer's request appropriately.

We intend to commence a review of suppliers use of the CRO facility to ensure that suppliers are acting in accordance with their licence obligations to, amongst other things, keep evidence of the customer's objection request and the reasons for the request for at least 12 months.

### **Ofgem's decision**

For the reasons outlined above, Ofgem has decided to consent to this modification, as we believe that its implementation better facilitates Transco's relevant objective of securing effective competition amongst shippers and suppliers as outlined under Amended Standard Condition 9 of Transco's GT licence.

If you wish to discuss any aspect of this decision, please do not hesitate to contact me on the above number.

Yours sincerely,

Roger Morgan  
**Manager, Gas Infrastructure**