TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0700

"Formation of a Development Workgroup to consider Formal Separation of I&C and Domestic Processes, Procedures and Flows"

Version 1.0

Date: 07/06/2004

Proposed Implementation Date: 01/01/2005

Urgency: Non-Urgent

Justification

The Licensing regime and Network Code already recognise a number of distinct differences between the Domestic market and the Industrial and Commercial market. Indeed some processes are bespoke to that particular market segment e.g. the Nomination and Offer process in the I&C market. However the system protocols remain bundled under the current relationship with the dominant Gas Transporter in the UK with the consequence that the systems cannot efficiently support the different business drivers of the two markets – i.e. changes made to provide benefits for one market will be solely a cost imposition on the other market.

In addition a number of Code modification proposals have been raised to align processes and procedures with the Electricity market. Dual fuel retailers in the Domestic market have principally driven such changes with no clear cost benefit justification for those operating solely in the Gas market. It could be argued that this has frustrated sensible developments within the Domestic market.

Further, the development of a retail Hub under SPAACO has moved some of the retail elements from the Network Code into the RGMA baseline, controlled by a separate entity. With the potential disposal of Distribution Networks (DNs) uniform control of transportation will cease to exist and the logic of interdependent processes, procedures and flows needs to be addressed.

BP believe the separation that currently exists in both the licensing regime and Network Code itself should be extended to a formal separation of processes, procedures and flows for Domestic and Industrial and Commercial market participants. This will better facilitate the achievement of securing effective competition between relevant shippers and relevant suppliers with consequent benefits for end consumers.

Nature of Proposal

The formation of a working group to consider the formal separation of Network Code and associated protocols to facilitate distinct Domestic and I&C processes, procedures and flows. This would engender the separation of all existing file formats from the date of DN disposal with the creation of market specific sets of version-controlled files and formats.

The Day 1 impact of such a proposal would be negligible as the files and formats would be identical. However as future changes are considered the impacts would be applied specifically to that market segment that requested the change. Should such changes have a material impact on an existing file format for flow, processes or procedure it would be applied solely to the relevant market segment.

Purpose of Proposal

To provide formal separation of the Domestic and I&C market in respect of processes, procedures and IT protocols.

To allow the optimisation of particular market segments without imposing costs on those participants not operating in that market segment.

To ensure that change is supported and funded by those participants who seek to benefit from its implementation.

Consequence of not making this change

Should this change not be forthcoming then the costs of changes that only benefit a particular market segment will continue to be borne by all market participants.

This will lead to inefficient market operation and may result in a failure to deliver changes that could deliver benefits to a particular market segment because of the inappropriate imposition of costs on another market segment. The net result would be to limit effective competition between relevant shippers and suppliers to the detriment of end consumers.

Area of Network Code Concerned

Section G

Proposer's Representative

Beverly Ord (Bp Gas Ltd)

Proposer

Steve Mulinganie (Bp Gas Ltd)

Signature

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