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Dear Julian,

Draft Mod Report 728 (UNC007) - Provision and Maintenance of Large Firm Supply Point Emergency Contact information by the Gas Transporter – BP Response

This Modification Proposal, raised by BP on 11 November 2004, seeks to address concerns over the continuing robustness of the Emergency Contact Information (ECI) which have been highlighted by the periodic exercises carried out by National Grid Transco (NGT), Shippers, Suppliers and the Health and Safety Executive (HSE).

Shortcomings of existing process

In our proposal we noted that we believed a number of existing shortcomings would be addressed by implementation of this modification, such as;

- The relevant Transporter is the party who needs and actively uses the ECI to manage load reduction and pressure management on their Networks.
- It is difficult to present a common and consistent message across the industry when a number of parties act independently of each other,
- The relevant Gas Transporter has the long term relationship with the consumer's site and is the party for which the ECI holds most value,
- The requirement for several parties to collect, collate, validate and supply information is inefficient when compared to a centralised process and does not allow for cost benefits arising from economies of scale that a centralised process would deliver,

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- The initial source of ECI may be superseded by changes on site which may not be seen by the customer as being connected with the commercial arrangements for gas supply,
- The cyclic nature of the Gas Supply market is not aligned with the frequency at which ECI needs to be re-validated,
- The enforcement of compliance is difficult for those in a short-term commercial relationship,
- The Shipper/Supplier do not have access to the “history” of data provided by other Shippers/Suppliers, access to which may allow a greater degree of validation of information to be carried out, and
- The relevant Transporter has the requisite powers to effect interruption at the consumer’s site if necessary on the grounds of safety [and is therefore better placed to maintain the data than the Supplier].

Industry meetings and discussion

At a number of industry meetings we have discussed and considered ways of improving on the robustness of ECI information held. BP agreed to the placing of the review of the provision and maintenance of ECI on the agenda of a sub-group of GATG (The Gas Advisory Task Group) that had been reviewing the issue, with the proviso that any work of the group must be completed in time for a workstream report to be sent to the April 2005 Modification Panel in line with the requirements of the November 2004 Modification Panel. The GATG itself reports into the Gas and Electricity Industry Emergency Committee (GEIEC).

BP has participated in the work of both the GISG and the GATG and note that the GATG group saw the logic arising from a centralised and co-ordinated approach to ECI. Whilst GATG continues to work on longer term solutions BP believes the benefits arising from our proposal can be delivered in the short term. As such BP placed the matter before the SPA Billing Workstream and sought the views of the representatives present. The majority of those present, Transco excluded, felt the modification should proceed to consultation so that benefits would not be lost for this winter.

Benefits of implementation

Data improvements - by implementing this modification BP believes that incremental improvements in the maintenance of ECI can be achieved in the short-term. We are also aware of general concerns regarding the forecasted tightening of the supply/demand balance in the short to medium term which could, if coupled with a cold winter in mainland Europe, lead to supply issues in the UK. In such circumstances the value of improved ECI robustness may prove to be critical in maintaining supplies to end consumers.

Timing - with the continuing “unbundling” of the UK Gas Markets including the imminent disposal of a number of Transco Networks it is, we believe, timely to address the future maintenance of ECI.

Co-ordinated approach - BP continues to believe that improvements in the robustness of data can be achieved by centralising the management of the ECI in fulfillment of the Users’ obligations.

We note that the approach taken in the DN sales project, with regard to operating a centralised Supply Point Administration Service and Joint Governance functions, has similarities with this modification proposal.

Obligations – as we have on many occasions previously, we emphasise that this modification proposal most certainly does not seek to remove obligations from the Shipper/Supplier but should be considered in the same light as the use of other agents (such as Xoserve) to discharge obligations, i.e. an industry practice that has been readily accepted.

Specific comments regarding the Draft Modification Report

We have many comments in response to Transco's drafting of the Modification Report, and these are detailed in Appendix 1.

In summary, our concerns relate mainly to Transco's surprising reluctance to embrace the improvements that a centralised approach to the maintenance of Emergency Contact Information would deliver; all the more surprising since Transco have adopted this approach to a number of their existing operations.

Only Transco can explain their reluctance to support this modification, but it does seem that cost recovery may be an issue for them. BP recognise this concern and are confident that a solution can be found if this is the key "stumbling block" for Transco.

We are disappointed that this Draft Modification Report focuses on Transco's opinions rather than the views expressed at workgroups by representatives of the wider industry, and hopes that the Final Modification Report will present a more balanced view.

Conclusion

BP is committed to introducing changes that will improve the robustness of ECI and assist with emergency operations, and therefore supports implementation of this modification. BP also believes that the wider industry view is mostly supportive.

If you would like to discuss this response please do not hesitate to contact me or Steve Mulinganie on 07990 972568.

Yours sincerely,

Beverly Ord
Regulatory Affairs

APPENDIX 1

Specific comments regarding the Draft Modification Report

We now wish to address some of the comments made by Transco in their Draft Modification report. Comments in italics have been extracted from the report.

“Transco notes that shippers/suppliers are currently accountable for the provision of this information, have a relationship with their consumers and would, if they so chose, have levers available to them to ensure that the data is provided (e.g. offering incentives for customers which provide the information and penalties where auditing shows the information is not accurate or maintained.)”

BP seeks clarity with regard to Transco’s suggestion that Shippers and Suppliers may have “chosen” not to offer incentives. BP has done all that is reasonably practicable to collect and maintain ECI data and we believe that the industry has similarly supported the various emergency exercises carried out by Transco, but if there are inconsistencies between Shippers and Suppliers then this simply reinforces BP’s case for centralisation. It is not clear what sort of incentives Transco has in mind as they have not provided any constructive advice or recommendations in this respect. Perhaps they would like to elaborate on what “levers” they believe are not being applied.

With regard to Transco’s suggestion of applying penalties, we do not feel that a penal regime for consumers is the appropriate solution if other, less adversarial, options are available.

We understand that the performance of collecting data from and contacting large firm consumers is currently unsatisfactory. Transco is concerned that despite previous efforts made in working with shippers/suppliers to improve the position, the proposal does not take account of the root cause analysis undertaken on the nature of the current difficulties conducted by the Gas Advisory Task Group (GATG).

Transco has actively participated within GATG whose remit was to assess root cause. This group involved participation from shippers, suppliers and end consumer representatives under the governance of the Gas & Electricity Industry Emergency Committee (GEIEC). The GATG has drawn on the findings and work of a previous exercise undertaken by the Commercial Issues Working Group (CIWG) and is due to report to the GEIEC. The GATG has met on three occasions and has yet to conclude its work.

As previously noted BP has also actively participated in the work of both GISG and GATG along with a number of industry participants as well as Transco. BP notes that the GATG has no formal remit and its work does not fall under any industry governance arrangements. BP supported the referral of the issue from the SPA Billing Workstream to the group as we felt it would provide a useful test of our proposals however we asked, and the group agreed, that it should conclude its review of existing arrangements in time to allow BP’s proposal to be implemented for winter 2005 if required.

BP rejects that it has failed to consider the work undertaken by GATG and in fact believe the group was clear on its remit and timelines. We note that several other members of both GISG and GATG have expressed concerns over Transco’s approach to the groups remit in this respect.

It was only due to concerns, from industry participants, over the potential for any benefits arising from BP’s proposal not being delivered for this winter that led to the

matter being addressed at the SPA billing workstream. In light of the group's understanding of GATG's current position the majority of those present requested that the matter be put out to formal consultation.

"Transco believes that this Modification Proposal is premature and does not offer any evidence to suggest that if accountabilities were changed, performance would improve - Transco's opinion is that its implementation could trigger a degradation of the issue"

BP rejects Transco's assertion that our proposal is premature as we raised our proposal in November 2004 and discussed the proposal at several workstream meetings prior to the referral to the GATG. We believe there is more than adequate evidence that centralisation would generate an improvement in ECI data quality. We note the list of short comings in the current process which, if addressed, would clearly deliver material improvements in the quality of ECI. BP challenges strongly Transco's opinion that degradation could result and question on the basis of what analysis this is made. BP notes that, unlike the strong body of evidence set forth in BP's proposal, Transco provide no supporting evidence to justify this statement.

"The proposer identifies that transporters would undertake the 'management' activity on behalf of the User, relying on the User's contractual terms of supply to the consumer. Transco does not believe that this is a sustainable position particularly as it has no ability to recover costs for the provision of such a service."

This statement suggests that the heart of Transco's rejection of our modification may relate to cost recovery. BP has always supported the need to establish a mechanism for the recovery of appropriate costs by the relevant Transporters. In the long term this could be easily accommodated in the next price review. However this leaves a short period for which a solution is needed but this should not delay the improvements we believe will arise from an early implementation of the modification.

"Transco believes that shippers/suppliers are the bodies with a contractual relationship with consumers and are therefore the only party which can enforce the requirements of provision of information."

Both of these statements are factually correct. However, neither is pertinent to who carries out the maintenance of data as addressed by the modification.

"Transco believes that the GATG proposals in respect of making improvements to the operation of the current regime have not been afforded the opportunity to take effect."

None of the short term proposals being discussed in GATG, should they be implemented, would be adversely affected as these primarily relate to better education of all parties involved in the process of gathering and maintaining the emergency contacts data. In fact, we believe the outcome of the proposals will integrate with the regime arising from our modification.

"Tests of the emergency contact process have shown that there is a range of performance across shippers. Whilst the industry average is poor, some individual organisations are achieving a performance of circa 80%. In Transco's opinion, this demonstrates that the existing process can work, subject to the appropriate best practice being applied and relevant education being delivered."

The best way for a high and consistent level of performance to be sustained is through the centralisation of the process into a "place of excellence". This is a key

tenet underpinning much of Transco's recent reorganisations including the centralising of connection call centres and the centralisation of the isolations process at Hinckley as well as the principle of common systems through Xoserve and governance underpinning UNC via the Joint Industry Governance structure. It seems remarkably inconsistent for Transco to be expressing the view that there is no evidence that centralisation works, whilst undertaking a number of centralisations themselves.

"It is important to note that Transco maintains a safe system regardless of the performance of the emergency contact process. Transco has arrangements in place where it can physically secure the network (forced isolation from as low a level as site by site or securing at higher level within the network). The emergency contact process is present to ensure all industry parties work together to achieve reduction in load in an efficient manner, with as minimal disruption to end consumers as possible."

The safe operation of the system is a key concern for BP and is one of the reasons for raising this modification as a means of continuous incremental improvement of managing the data which forms the basis "to achieve reduction in load in an efficient manner, with as minimal disruption to end consumers as possible".

Transco would incur costs due to the following:

- *Cost of developing/enhancing relevant systems to capture and maintain consumer data.*
- *Costs associated with installing a process for validating contact data.*
- *Costs associated with contacting and establishing a relationship with individual consumers.*

The above costs are not quantified but could be expected to be significant.

BP would challenge the expectation of significant costs, but would be happy for an independent assessment to be carried out. The stand-alone system for capture and storage of the emergency contact data already exists within the UK Link systems, and all that would be required is an additional mechanism by which data could be entered. During the GATG discussions end consumers expressed an interest in being able to manage their own contact data, possibly through an on-line process. This again would reduce both operational and development costs as part of the solution already exists. A co-operative approach from members of the industry could develop a least-cost solution that could be implemented in a short timescale subject to other commitments.

This Modification Proposal does not identify how Transco would be financially compensated for procuring and maintaining data on behalf of Users.

BP fully believes that it is reasonable for Transco to recover appropriate costs for the provision of the service. However, we do not believe that it is within our power to determine and implement such an agreement. If Transco wish to address this issue as part of the pricing regime it could be referred to Ofgem.

Transco's contractual risk may be increased by implementation of this Modification Proposal. Transco does not presently have a contractual relationship with consumers. While this Proposal does not contemplate such a relationship (Transco would be operating as an 'agent' of shippers), Transco's view is that it would be assuming responsibilities on behalf of Users while being reliant on Users ensuring that robust contractual arrangements were in place. Such arrangements would be necessary to ensure that Transco was able to procure the information it would require to meet its Code obligations.

Nothing in the proposal requires Transco to enter into any contractual relationship with end consumers and so there can be no change to their contractual risk on that basis.

Irrespective of the party responsible for the 'management' of emergency contact data, Users would need to ensure that relevant provisions were incorporated and maintained as a function of the supply contract. Users would remain responsible for the procurement of emergency contact data upon first registration or at transfer of User 'ownership'.

This could be more simply characterised as “no change” and as previously stated BP sees no need to remove the provision of ECI by the Shipper/Supplier during the change of supplier process through existing mechanisms.

Implementation of this Modification Proposal could lead to duplication and potentially greater levels of error in the contact data held by different parties. This is because the Proposal contemplates that Users would provide contact data to Transco upon 'first registration' and supplier transfer, but Transco would then be required to 'manage' (maintain) the data in conjunction with consumers. Therefore, in effect, information would be routinely procured directly from consumers by Transco, but in other circumstances, would be provided to Transco by Users via the 'contractual chain'.

Given that the data is being held and managed centrally, there is no logic in the suggestion that the proposal could lead to greater levels of error.

Transco's view is that the following legislative and licence conditions sets out the suppliers and shippers central role in the provision to transporters of 'emergency contact' information. In Transco's opinion, the measures identified within this Modification Proposal are not consistent with these obligations.

Nothing in BP's modification seeks to change any of the existing legislative and regulatory obligations. The only change would be the incorporation of the modification proposal in the UNC. BP completely refutes Transco's opinion that “the measures identified within this Modification Proposal are not consistent with these obligations”.

Statute

Gas Safety (Management) Regulations 1996 (GS(M)R):

GS(M)R Regulation 6 – Co-operation

'Every person to whom this paragraph applies shall co-operate so far as is necessary with a person conveying gas in a network and with a network emergency co-ordinator to enable them to comply with the provisions of these Regulations'

'... applies to— the holder of a licence issued under section 7A of the Gas Act 1986...'

BP believes that through the provision of resources to develop the modification and to attend GATG meetings we have demonstrated an enhanced commitment to co-operation.

GS(M)R Schedule 1

Transco's Safety Case currently defines the methods by which Transco facilitates the meeting of the above defined obligations. Transporters are required to specifically state the arrangements in place to discontinue supply to consumers within their safety cases under GS(M)R Schedule 1 item 20 which states: 'Without Prejudice to paragraph 18.....particulars of the procedures that the duty holder has established to discontinue supply safely to consumers, when it is know that there is insufficient gas to satisfy demand'. Changes to this document as would be required should this Modification Proposal be implemented would require approval by the Health and Safety Executive.

Transco's safety case can be amended to reflect any consequences of implementing this modification should that be necessary. Safety cases have recently been amended to facilitate the sale of a number of DNs. Making amendments to improve safety should not be a major inconvenience nor is it likely that the HSE would object to such a provision.

Licence

Suppliers Licence – Condition 14(2) & (3) (Security and Emergency arrangements):

'the Licensee shall use best endeavours to comply with all requests made by the relevant transporter.....for the purpose of.....securing the safety of the pipe-line system or the safe conveyance of gas.....'

Nothing in the proposal would affect this licence condition.

Supply contract for 'non-domestic' customers shall include terms that 'for the duration of a pipe-line system emergency.....'.....'the licensee is entitled at the request of the relevant transporter or shipper to discontinue the supply of gas to the premises'.

Nothing in the proposal would affect this licence condition.

Suppliers Licence – Condition 16(1)(a) (Exchange of information.....):

'.....the licensee shall provide information reasonably requested by a relevant transporter.....for the purpose of enabling the transporter to fulfil its licence obligations to draw up plans for the safe operation.....of its pipe-line system'.

Nothing in the proposal would affect this licence condition.

Shippers Licence – Condition 5 (Obligations as Respects Emergencies etc).

Also contains 'requests by the transporter' provisions.

Nothing in the proposal would affect this licence condition.

Advantages:

- *Transco is unable to identify any advantages relevant to this Modification Proposal.*

This is a most surprising comment given that all participants in the GATG discussions with the exception of Transco clearly identified that centralising the process of management of the emergency contact data would be expected to have a beneficial effect on data quality. Clearly this is an individual view, whatever the reason, and not representative of the wider view.

Disadvantages:

- *Proposals are not consistent with the current provisions of the Supplier and Shipper Licences and the Gas Safety (Management) Regulations (GS(M)R).*
- *There is no demonstrable likelihood of the accuracy of the data held by Transco being improved by implementation of this Modification Proposal.*

The first point may be Transco's opinion, but this is rejected.

Transco are being remarkably inconsistent by making the second point at the same time as carrying out a number of centralisation projects themselves. Questions then arise at a higher level as to whether they believe that the centralisations they have already carried out will result in improvements in service, and whether such re-organisations are in the spirit of their licence obligation to operate "efficiently".