

## **Representation For. 0007(0728)**

"Provision and Maintenance of Large Firm Supply Point Emergency Contact Information by the Gas Transporter"  
Version 1.0

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### **Abstract**

Shell Gas Direct Limited Response to M0728

20 May 2005

Modification Proposal 0728 "Provision and Maintenance of Large Firm Supply Point Emergency Contact Information by the Gas Transporter"

I refer to the above modification proposal raised by BP Gas Marketing Ltd. It proposes that responsibility for the management of Large Firm Emergency Contact Information is placed on the relevant Gas Transporter. While this modification was raised under the Transco's Network Code, its implementation under the Uniform Network Code would result in all distribution networks (DNs) and the NTS having this obligation.

Shell Gas Direct (SGD) supports this proposal. We agree with BP's view that this approach would ensure the most efficient and effective means of collecting and maintaining contact information. Experience with the current arrangements demonstrates that they are not working well enough to ensure that, in an emergency, the Network Emergency Coordinator, can have the level of confidence required that large firm sites can be contacted and stop taking gas when necessary.

We welcome BP's initiative as a practical way forward. SGD considers that the prime focus of any changes should be to ensure, and improve upon, safety of the system. The current arrangements were put in place at the time that the Network Code was developed. At that time, there was a level of uncertainty about how best to separate the roles of shipper and transporter. For the most part, the arrangements put in place in 1996 has worked well but with the benefit of experience, it is clear that the arrangements for emergency contact details need reform.

Shipper/suppliers have the primary relationship with customers and this was the original driver for the current arrangements. However, they have no commercial use for the emergency contact information. There are, of course, regulatory reasons for the shipper to put effort into obtaining

this data and SGD has put considerable resource into ensuring that it obtains this data and passes it to the transporter. SGD emphasises that it takes its responsibilities to ensure safety of the gas pipe-line system very seriously.

SGD notes Transco's suggestion that shipper/suppliers could offer incentives and penalties for customers for not providing this information. This reveals Transco's lack of understanding of the workings of the gas supply market, eg how relationships work on contract negotiations and competitive pressures.

Transco's presentation to the GATG Firm Load Shed Workshop on 22 March 2005 states that "financial penalties are 'heavy handed' and not easily agreed or implemented". This would apply particularly to Transco's suggestion for including penalties in customer contracts. This would introduce particular difficulties in the competitive arena. It should not be underestimated how difficult this would be to implement outside changes to established industry wide agreement (ie through changes to the UNC).

However, the motivations of different participants in the gas industry need to be considered. The gas transporters have a requirement for this data to satisfy their own safety cases. It appears reasonable to us that as the requirement is to allow the gas transporters to operate their pipeline systems in a safe manner. The transporters always need this data to be kept up to date, irrespective of which shipper is registered at the site.

It remains the case, that there is no commercial requirement for this data by shippers. For the customer, the contact point for negotiating commercial terms is different from the contact point(s) to be contacted for emergency contacts. Changes at site level are not likely to be associated with supply contract terms; they can more sensibly be related to HSE obligations (on both the customer and transporter). Contracts are often re-negotiated annually but given recent price volatility, longer term contracts are becoming more common reducing the chance for changes to be picked up at renewal.

SGD has participated in extensive discussions on how to improve shipper performance over the past few years. We helped to develop a customer fact sheet, discussed the issue in customer fora, assisted in developing best practice guidelines etc. We note that the Firm Load Shedding Group has recently considered these issues again. NGT has made assertions to the effect that these were the first time that discussions have occurred directly between customers and shippers: this is incorrect and misleading. It appears to us that NGT is hoping that by repeating, and perhaps in some way improving upon, previous exercises that the issue will be resolved. We expect that any improvement will be temporary and that without change as proposed in M728, it will need to be revisited again in a few years. Transco itself has described this area of work as the "interim solution". This proposal provides a robust long term solution.

This proposal is not "premature". SGD participated in the CIWG discussions in 2003 which covered much of the same area as the current Load Shedding Workshop (education, best practice

etc). This proposal focuses attention on the only new developments which have taken place through the Load Shedding Workshops through the 'Blue Sky Solutions' proposals. We consider the interim activities should take place, particularly education of consumers which needs to be an on-going process. But this should not replace the requirement for a new solution to ensure the safety of the gas pipe-line system. Transco suggests that by being able to physically isolate it can keep the system safe. This is correct but presumably not having to physically isolate would be more economic and efficient. We see this proposal as promoting a policy for all parties to work together efficiently with minimal impact to consumers.

What is needed for emergency contact details is a central point of administration. It appears entirely logical for this to be administered by the gas transporters. They may, in turn, consider the most efficient approach to have a central agency manage this. The information required is generic and requires a consistent approach which this proposal would promote. It is the transporter who has the long term connection to the site: shipper can change annually or less or more often. It is the transporter who can enforce the requirement, physically if necessary by visiting the site and disconnecting.

We cannot understand NGT's resistance to this approach which would further the operation of a safe and efficient pipeline system. NGT appears to want shippers to come to an agreement amongst ourselves and then contract together for a service. This raises issues under competition law and does not address what we would do with shippers who did not participate. It is difficult to not conclude that NGT's intention is to get shippers to pay for this not as a service provided by a regulated monopoly but as an excluded service. We see this as a very inefficient approach the costs of which will only add to the costs, ultimately to be borne by consumers. We note here that shippers (and consumers) will pay for provision of this service no matter which approach is chosen. We can continue to use current arrangements which are costly, attempt to get agreement amongst some or most shipper/suppliers to do pay for a system collectively, or, pay the transporters for the service through transportation charges. Ofgem should be willing to ensure funding for this service as it clearly would be to the benefit of consumers; Transco should be able to recover the costs of this service from shippers. The issue is which approach is most economic, efficient and provides the best solution to ensure the safety of the system. BP's proposal meets these criteria.

SGD supports this proposal. It furthers the relevant objectives by ensuring economic, safe and efficient operation of the pipe-line system. It promotes competition between shippers and relevant suppliers by focusing commercial activities on these areas where competitive approaches are relevant while providing the gas transporters with a regime that protects consumers' interests for efficient and economic systems. SGD considers that the approach which best advances the safety of the pipe-line system should be adopted.

Yours sincerely

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