

Modification proposal:	<b>Uniform Network Code (UNC) 087: Single centralised On-Line Gas Enquiry Service – Removal of redundant NC provisions (UNC087).</b>		
Decision:	The Authority <sup>1</sup> directs that this proposal be made <sup>2</sup>		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	30 October 2006	Implementation Date:	3 November 2006

## Background to the modification proposal

Standard Special Condition A31 of the Gas Transporters (GTs) licence requires licensees to provide a Supply Point Information Service. The aim of this licence condition is to ensure that information held by GTs is made available to shippers, suppliers and customers about the supply of gas to premises.

Whereas traditionally each GT had discretion in how to discharge this licence obligation, discussions during the sale of a number of National Grid's (NG's) gas distribution networks led shippers and suppliers to scrutinise the arrangements for the delivery of key services. In particular, questions arose as to whether an industry structure based on multiple ownership of distribution networks could lead to changes in the provision of services to shippers where there were no, or uncertain, governance arrangements. Shippers considered that this presented a risk that services upon which they depended could be changed or service levels degraded without them having been consulted. This was considered to be the case in respect of the Supply Point Information Service.

In January 2005 the Authority directed the implementation of modification 717<sup>3</sup>, which placed an obligation upon National Grid (and subsequently upon the buyers of four of its gas distribution networks) to provide specified access arrangements and to prescribe a minimum acceptable service level for shippers. These were specified in a document referenced in the Network Code (and now the UNC); the '*Supply Point Information Service Guidelines*' (the Guidelines).

### *Customer Transfer Programme*

Work carried out under the Customer Transfer Programme<sup>4</sup> (CTP) identified a requirement for a national on-line meter point enquiry service, known as the Single Centralised Online Gas Enquiry Service (SCOGES), incorporating the services currently set out in the Guidelines. This was developed under the Supply Point Administration Agreement (SPAA) and subsequently accepted by the Authority as a mandatory schedule to that agreement.

The mandatory SPAA schedule has placed an obligation on all GTs to implement and operate the SCOGES service and provide the necessary data to support it on an ongoing basis. The schedule will also oblige all suppliers to use that service in the first instance when seeking to resolve a query, before resorting to telephone or email contact.

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

<sup>3</sup> Network Code Modification 717: Provision of Supply Point Information.

<sup>4</sup> See [www.energy-retail.org.uk/switchingsupplier.html](http://www.energy-retail.org.uk/switchingsupplier.html)

## **The modification proposal**

All GTs are obliged under the terms of their licence to be party to and comply with the relevant provisions of the SPAA. NG has raised this modification proposal as it wishes to avoid dual governance and potential conflict, given that the GTs who are party to the UNC already have obligations to provide an information service within the UNC (Transportation Principal Document paragraphs G1.9.10, G1.9.11 and G1.9.12 and General Terms paragraph B5.1.1 (d)),

It is therefore proposed that relevant provisions relating to the Guidelines be removed, in line with the implementation of SCOGES under SPAA governance.

The proposer believes that dual governance does not promote an efficient and economic operating mode and that it is necessary to seek to facilitate removal of specific UNC provisions to accommodate relevant Supply Point Information services within the SPAA. They consider that this measure could be expected to promote efficiency in the implementation and administration of the UNC.

## **UNC Panel<sup>5</sup> recommendation**

At its meeting of 21 September 2006, the UNC modification panel recommended by a majority that this proposal be implemented.

## **The Authority's decision**

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 21 September 2006. The Authority has also considered and taken into account the responses to the Joint Office's consultation on the modification proposal<sup>6</sup> and has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC<sup>7</sup>; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties<sup>8</sup>.

## **Reasons for the Authority's decision**

We consider that it is vital to have meter data from all of the networks in one central place as this will help suppliers to manage customer transfer and aid with any customer queries. We accepted modification 717 in order to ensure that the service being provided to shippers at that time was not jeopardised by the sale by NG of some of its gas distribution networks. However, it did nothing to encompass the data relating to networks belonging to the independent Gas Transporters, nor could it as they are not party to the UNC.

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<sup>5</sup> The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

<sup>6</sup> UNC Modification proposals, Modification Reports and Representations can be viewed on the Joint Office of Gas Transporters website at [www.gasgovernance.com](http://www.gasgovernance.com)

<sup>7</sup> As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: [http://62.173.69.60/document\\_fetch.php?documentid=6547](http://62.173.69.60/document_fetch.php?documentid=6547)

<sup>8</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed primarily in the Gas Act 1986.

As mentioned above, with the implementation of SPAA Change Proposal 06-057, all GTs will implement and operate the SCOGES service and provide the necessary data to support it on an ongoing basis. In accordance with its terms of use, access to the SCOGES service may also be granted to other parties, being agents of the shipper/supplier, such as their Meter Reading Agents and Meter Asset Managers. This will however be at the discretion of the shipper/supplier, who will retain responsibility for its use. To the extent that the schedule also requires suppliers to utilise the SCOGES service wherever possible prior to contacting the relevant transporters with a query, we also consider that there will be efficiency gains from the reduced administrative burden for GTs.

Notwithstanding the above, the matter at hand in this decision is whether removal of the provisions of the UNC inserted by modification 717 would better facilitate the relevant objectives of the UNC than retaining them. We note that the Joint Office received eight responses to its consultation on this modification proposal, of which five were supportive and three were opposed to its implementation.

Whilst directing the implementation of modification 717, as we considered it to be better than the prevailing provisions, we noted that the change management of the Guidelines would not be subject to the full Network Code change control. We considered that there was therefore a risk that a change could be proposed by a GT and implemented, even though a shipper (or number of shippers) did not support the change. Under the SPAA this would not be possible, as any change to the SCOGES documentation must be conducted in accordance with its change control process, including a vote by all interested parties and in the case of a mandatory schedule, consent of the Authority. We therefore consider the SPAA governance to be more robust and in keeping with the principles of good governance previously published by Ofgem<sup>9</sup> than the process introduced by modification 717.

Those respondents who opposed the implementation of this proposal considered that the removal of the relevant provisions from the UNC would disenfranchise shippers from the governance of the Guidelines. However, one respondent noted that by transferring control and governance from UNC to SPAA it will ensure that parties that utilise and are most affected by the service have direct control over the provision of the service in future. At present, as the UNC sets out arrangements and obligations between GTs and shippers only, there is no direct role for suppliers. They went on to confirm their belief that the transfer of governance to SPAA to be a more appropriate and robust arrangement.

While the Guidelines, or any other arrangements, are subject to dual governance, there is a risk that they lose alignment or parties become subject to conflicting obligations. We therefore consider that wherever possible, the ownership of these arrangements should be clearly established in a single agreement.

We acknowledge that shippers are not party to the SPAA, but if anything this is less problematic in context of the Guidelines than the fact that suppliers are not party to the UNC. As noted above, shippers do not currently have the right to propose changes to the Guidelines, or have a formal role in deciding upon them. In contrast, we note that each of the respondents opposed to this modification have the right to accede, and afterwards propose changes, to the SPAA. We therefore do not consider that the removal of these provisions from the UNC will have a detrimental impact upon shippers.

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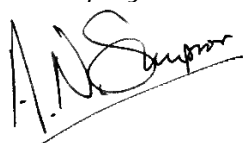
<sup>9</sup> [Gas Retail Governance – Further Consultation: June 2003](#)

We consider that the implementation of this proposal would be consistent with the Authority's duty to have regard to the principles of best regulatory practice, in particular in ensuring that GTs are not subject to dual governance.

It should be noted that in deciding upon this modification we have considered only those provisions which are directly affected by the proposal and this decision should not be taken as indicating our views on the desirability or otherwise of migrating further provisions from the UNC to the SPAA or any other document.

### **Decision notice**

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal UNC087: '*Single centralised On-Line Gas Enquiry Service – Removal of redundant NC provisions*' be made.

A handwritten signature in black ink, appearing to read 'N. Simpson', with a horizontal line underneath.

**Nick Simpson**  
**Director, Industry Codes & Licensing**

Signed on behalf of the Authority and authorised for that purpose.