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18 January 2002

Dear ,

Gas Transporter Networks: Supplier / Shipper Failure

I am writing to request your views on a number of important issues that could affect Gas Transporters (GTs) in the event of the failure of a gas supplier and/or gas shipper.

Background

On 25 June 2001 Ofgem wrote to all GTs asking for comments on a number of issues likely to arise in the event of the failure of a gas supplier and/or gas shipper on a GT network. The letter introduced Ofgem's Supplier / Shipper Failure Project and outlined the work completed up to June 2001. Very few responses were received to this letter. Ofgem now seeks further information from GTs concerning the ability of each to support a Supplier of Last Resort (SoLR) scenario.

Responses to Ofgem's March 2001 document 'Supplier of Last Resort: Guidance on current arrangements' highlighted the industry's concerns about the ability of GTs to cope with the failure of a supplier or shipper on gas transportation networks. Copies of non-confidential responses and further details about the project and an update on developments can be found on the Ofgem website at http://www.ofgem.gov.uk/projects/supplierfail_index.htm

During the industry meetings of the Gas SoLR Working Group on 19 July and 26 October the group considered a number of issues relating to supplier / shipper failures. The group expressed concerns about whether independent GTs, in the event of a SoLR scenario, could identify the customers of a failed supplier and pass this information on to Ofgem and the incoming SoLR. The group also highlighted concerns about the ability of GTs to cope with large scale transfers of supply points to the SoLR.

Views Invited

Ofgem believes that the following issues need further consideration by all GTs:

1) Network Codes

Following the implementation of the Utilities Act 2000 licensing schemes on 1 October 2001 Ofgem can appoint a SoLR to all customers of an insolvent supplier. The Gas SoLR Working Group is concerned that at present, the drafting of GT Network Codes may not hold the appointed SoLR liable for the financial costs of gas transportation and energy balancing until supply point registration has taken place (rather than from the appointment date as SoLR). This leaves a potential large 'gap' period from the date of appointment to the date of supply point registration in which there may be no entity liable for energy balancing charges (which would subsequently be smeared to the shipping community) or for the GT's own transportation charges. Your organisation is invited to consider this issue and provide views on how it could be taken forward.

2) Failed Supplier's Supply Points

Industry participants have voiced considerable concern about the ability of GTs other than Transco to identify the supply points and site addresses of a failed supply licensee. This information is important so that Ofgem can select the most appropriate SoLR, and so that the incoming SoLR once appointed can manage the registration of the portfolio. It is important to understand whether all GTs are able to break down portfolio details to individual supplier ID level rather than to shipper level only. Information relating to your organisation's ability to identify this information and the timescales required to provide the data is requested.

3) Transfer to SoLR

Ofgem is keen to understand from GTs how each would support the large scale transfers of supply points to the SoLR when appointed. In particular, information is sought as to whether this would be via a GT developed bulk transfer mechanism (similar to Transco's bulk transfer system) or whether the management of the process would be driven by the SoLR via normal supply point transfer processes. It is requested that your organisation considers how this process would be managed in a SoLR scenario, and that details of the procedures are provided to Ofgem.

Contact Details

In the event of a gas supplier and/or shipper failure it may be necessary for Ofgem to contact GTs in order to request details about any supply points on the GT's network supplied or shipped to by the failed company. I would therefore be grateful if in addition to providing views and information as requested above you could also complete the enclosed form requesting contact details.

Views and information on the above as well as any other related issues that you may wish to raise are invited by Friday 15 February 2002. Contact details should be provided at your earliest convenience. Replies should be sent to:

James Richardson
Supply Directorate
Ofgem
9 Millbank
London
SW1P 3GE

In addition, Ofgem is keen for independent GT representation at future meetings of the Gas SoLR Working Group. Please let me know if you wish to be placed on the circulation list for details of future meetings.

Please do not hesitate to contact me if you have any queries regarding the requests in this letter. I look forward to receiving your response.

Yours sincerely,

James Richardson
Ofgem Supply

Gas Transportation licensee contact details

Contacts in the event that Ofgem needs to request information on supplier/shipper portfolios:

Licence:

Contact 1

Name:

Job Title:

Work Telephone:

Mobile:

Emergency Telephone:

Fax:

Email address:

Address to which
correspondence
should be sent:

Contact 2

Name:

Job Title:

Work Telephone:

Mobile:

Emergency Telephone:

Fax:

Email address:

Address to which
correspondence
should be sent: