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1 March 2005

Dear Sir,

Ofgem proposals: Gas Suppliers' Licence Standard Licence Condition 21 - Publication of Information to Customers

In this letter, Ofgem is proposing to issue a direction under Standard Licence Condition 21 (SLC 21) of the Gas Suppliers' Licence relieving suppliers from certain of their obligations under that licence condition. Draft wording for this direction is included in the Appendix. Ofgem is seeking views on this wording and the proposed implementation date for this direction.

Background

SLC 21 of the Gas Suppliers' Licence requires suppliers, inter alia, to print on customer bills the name and address of the gas transporter (GT) to whose network the customer's meter point is connected. Currently, customers can only be connected to an independent gas transporter's (IGT's) network or National Grid Transco's (NGT's) network. Where a customer is connected to an IGT network, suppliers are able easily to identify the relevant IGT by the meter point reference number (MPRN). This is facilitated by the fact that specific MPRN ranges have been allocated to each IGT. All other MPRNs outside of the IGT ranges are connected to NGT's network and are therefore also easily identifiable.

In February 2005, Ofgem granted its conditional consent to NGT's proposed disposal of four distribution networks (DNs) to third party purchasers. Following this sale, currently scheduled for 1 June 2005, the effect of SLC 21 will be to require suppliers to distinguish for the first time between MPRNs on NGT's remaining DNs and those on other DNs that have been sold to new operators. MPRNs on NGT's network have not been allocated in a way that would enable a supplier to determine the relevant DN by reference to them. Suppliers have raised concerns about how they would be able to comply with this licence requirement once the DNs are sold. They have suggested that significant and expensive system changes would be required to enable them to identify the relevant GT after 1 June.

Ofgem noted these concerns and considered whether it would be appropriate to issue a direction under SLC 21(4) to amend the requirements of that condition. It wrote to all gas suppliers, NGT and energywatch on 20 August 2004 to request views on three suggested approaches to resolve this issue. These were:

1. No direction is issued. SLC 21 stands as it is and suppliers amend their systems to extract the relevant GT and print on customer bills or statements. This approach would be likely to result in a high level of costs to industry participants.
2. Amend existing MPRNs or introduce new MPRNs to include a DN identifier. This approach would be likely to result in a high level of costs to Transco that would be passed to industry participants and ultimately consumers.
3. Issue a direction that relieves suppliers of their obligations to comply with SCL 21 in relation to any customer to whom they have provided access to a telephone enquiry service which the customer can use to access this information. In practice, Ofgem expects that this could be satisfied, in the case of customers connected to NGT's retained or sold DNs, by suppliers printing Transco's customer enquiry service number on customers' bills. This service should be configured to provide callers with the identity of their GT based on the customer's address or MPRN.

Of these, Ofgem considered that the third option would provide a short term solution to the concerns of suppliers in respect of the SLC 21 obligations. It proposed that a direction be issued under SLC 21(4) specifying that suppliers could meet their obligations by printing a customer service telephone number on bills or statements (for example, NGT's enquiry service number), provided that number could be used by customers to identify the name and address of their GT. Ofgem suggested that, in the longer term, there may be a need to consider modifications to SLC 21 and/or NGT's GT licence to take account of difficulties faced by suppliers in providing information to customers about the relevant GT arising from the sale of NGT's DNs.

Summary of responses

Ofgem received six responses. Five of these agreed with Ofgem's initial view that the third option, as presented above, should be progressed in the short term. They believed that this would prevent suppliers and/or transporters from being required to spend significant amounts of money for very little practical benefit for customers. NGT, in their response, stated that they believed that GT contact details could be provided through the existing domestic customer enquiry service with a small/medium system and process change with minimal increase in operational costs. They also anticipated that provision of such an enquiry service could fall into the scope of the Xoserve 'Agency' contract.

Two of these respondents believed that, in the longer term, consideration should be given to amending the requirements of SLC 21. One expressed concern that customers that did not have their MPRN to hand and that are on an IGT network would be required to contact all the IGTs individually to determine which one. The respondent suggested that some cross-validation could be carried out with reference to the postcode or that NGT's emergency database could be used to determine the MPRN and therefore the relevant IGT.

One respondent, while agreeing that the third option was preferable of the three presented, did not support the solution proposed by Ofgem. They expressed concerns that printing an enquiry

service number as well as the emergency contact number on customer bills could create confusion and a potential risk that customers would call the wrong number when seeking to report an emergency. They also questioned the rationale for the requirement in SLC 21 to notify the customer of the identity of their GT. They believed that this was of no benefit to customers that did not have a bill while customers that did have a bill would know who their supplier is and be able to request contact details for the GT from them if needed. This respondent considered that the existing obligation serves no purpose and that Ofgem should issue a direction relieving suppliers completely from the requirement to keep each customer informed of the name and address of the relevant GT. This, it was argued, would prevent two contact numbers being printed on bills and preserve the supplier hub principle whereby the customer's principle relationship should be with their supplier.

Ofgem's views

Following consideration of these responses, Ofgem considers that the requirements of SLC 21, as currently drafted, may result in significant changes being necessary to supplier or GT systems and processes in order to distinguish between NGT's remaining DNs and those operated by other licensed GTs after 1 June 2005. It maintains its view that a cost effective solution to the concerns raised would be to issue a direction relieving suppliers from the obligation to print the name and address of the relevant GT on customer bills and, instead, requiring them to print a telephone number that customer can call to get this information. In circumstances where suppliers do not provide a telephone enquiry service number which can provide this information to customers, for example where the customer is connected to an IGT network, it is Ofgem's view that the obligations contained in SLC 21 should remain in effect.

Ofgem notes the concern raised by one respondent regarding the potential for customer confusion if NGT's customer service number is printed as well as the emergency contact number. Ofgem believes that the potential for such confusion could be reduced by the way in which the two numbers are presented on bills. Accordingly, the draft direction includes a requirement for the supplier to provide a clear explanation as to what the enquiry number is for. Suppliers could further mitigate the risk of confusion by the way the two numbers are formatted on bills. In addition, it is Ofgem's understanding that Xoserve, while they strongly prefer customers to call the correct number, have a process in place already for dealing with emergency calls that are received by the enquiry service during its hours of operation.

Ofgem maintains its view that, in the longer term, the requirements of SLC 21 should be reviewed to ensure that they are appropriate. Ofgem is currently conducting a review of supply licence obligations and will include consideration of this condition within that review.

Conclusion

Ofgem therefore proposes to issue a direction under SLC 21(4). The effect of the direction will be to relieve suppliers from the obligation contained in SLC 21(1) to notify the customer of the name and address of the relevant GT only where they keep each customer informed of a customer service telephone number that the customer can use to request this information. This must be done by printing the telephone number on bills or statements. Where suppliers do not provide a telephone number for this purpose, the requirement in SLC 21 to notify customers of the name and address of the relevant GT will continue to apply.

Proposed drafting is set out in the Appendix. Ofgem proposes that this direction take effect on and from 1 June 2005.

Ofgem invites comments on this drafting and the proposed implementation date. Any responses should be submitted to me at the postal address at the foot of the page or electronically to ian.anthony@ofgem.gov.uk no later than 22 March 2005.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'I. Anthony', followed by a horizontal line.

Ian Anthony
Infrastructure Manager

Appendix – Proposed wording for direction under SLC 21(4)

Direction issued by the Gas and Electricity Markets Authority under Standard Licence Condition 21 (Publication of Information to Customers) of Gas Suppliers' Licences

1. This direction is issued by the Gas and Electricity Markets Authority (the Authority) under paragraph 4 of Standard Licence Condition (SLC) 21 of each Gas Suppliers Licence (the Licence) granted or treated as granted under section 7A of the Gas Act 1986 (as amended) to a person to supply gas to premises (the licensee).
2. Terms and expressions used in this direction shall have the same meanings, interpretations or constructions given to such terms and expressions in each Licence.
2. Paragraphs 1 and 2 of SLC 21 oblige the licensee to keep each customer informed of the name and address of the relevant transporter and the relevant transporter's meter point reference numbers or codes for the customer's premises by providing such information on each bill or statement given to the customer.
3. The Authority has become aware that, following the sale of certain distribution assets by Transco plc, it may no longer be reasonably practicable for licensees to continue to comply with SLC 21 in respect of all customers with regards to the name and address of the relevant transporter.
4. Under paragraph 4 of SLC 21, the Authority may issue a direction relieving the licensee of its obligations under paragraphs 1 and 2 to such extent and subject to such terms and conditions as it may specify.
5. The Authority hereby directs that the licensee shall be relieved from obligations under paragraphs 1 and 2 of SLC 21 of its Licence, to keep each customer informed of the name and address of the relevant transporter, in respect of a customer (the relevant customer) where the licensee has complied with the conditions set out in paragraphs 6 and 7 of this direction in relation to such relevant customer.
6. A licensee shall provide to the relevant customer a telephone number (the "telephone number") which the relevant customer may use to be informed of the name and address of their relevant transporter and the relevant transporter's meter point reference numbers or codes for the relevant customer's premises.
7. The licensee shall provide the telephone number to the relevant customer by publishing:
 - (a) the telephone number; and
 - (b) a brief and clear explanation of the purpose for the number, a description of the information which is made available to the relevant customer by means of the

telephone number and the days and times during which such information is made available,

on each bill or statement given to the relevant customer in relation to the supply of gas or annually where the relevant customer does not receive such bill or statement.

8. This direction shall have effect on and from 1 June 2005.

Dated / /

Name and position

Duly authorised by and on behalf of the Authority