



All interested parties

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Dear Sir,

Direction under standard licence condition 21 (Publication of Information to Customers) of the gas suppliers licence

On 1 March 2005, Ofgem issued a consultation letter (the March 05 consultation letter)¹ to all interested parties concerning a proposed direction under standard licence condition 21 (Publication of Information to Customers) of the gas suppliers licence (SLC 21). The responses received to that consultation letter are summarised below.

Concurrently with this letter, the Gas and Electricity Markets Authority (the Authority) will issue a direction under SLC 21 which will take effect on and from 1 May 2005.

Background

The background to this issue is available in the March 05 consultation letter. In summary, that letter set out Ofgem's proposal, following consideration of responses to a previous consultation letter dated 20 August 2004 (the August 04 consultation letter)², to issue a direction to gas suppliers under SLC 21. This licence condition requires gas suppliers to provide the name and address of the relevant gas transporter (GT), together with the relevant Meter Point Reference Number (MPRN), on each customer bill³. The proposed direction would have the effect of removing the requirement to provide the name and address of the relevant GT if the gas supplier provides a telephone number through which the customer may obtain this information.

The reason for that proposal is that, following the planned sale by Transco plc (Transco) of a number of Distribution Networks (DNs) on 1 June 2005, suppliers would be required to

¹ This letter is available on the Ofgem web-site (www.ofgem.gov.uk)

² Also available on the Ofgem web-site

³ SLC 21 requires that this information is provided 'on each bill or statement given to the customer in relation to the supply of gas or annually where the customer does not receive such a bill or statement'. For the sake of simplicity, this is referred to in this letter as 'customer bill'.

differentiate between Transco and the licensed GTs which operate the sold DNs. This, it was considered, would necessitate significant costs in systems development or the amending of MPRNs so that suppliers could identify the relevant GT. Ofgem considered that the proposed direction would provide a cost-effective solution to this situation.

The majority of respondents to the August 04 consultation letter were in favour of this approach. In the March 05 consultation letter, Ofgem requested views on the drafting of the proposed direction and the proposed date that the direction shall take effect (the proposed effective date).

Summary of responses to the March 05 consultation letter

Proposal

Ofgem received ten responses to the March 05 consultation letter. Eight respondents supported the proposal to relieve suppliers of the obligation under SLC 21 to notify customers of the name and address of the relevant GT if instead they provide, on the customer bill, a telephone number (for example of a customer enquiry service) which customers could call to obtain this information. They agreed with Ofgem's view that this was a pragmatic and cost effective approach.

One respondent maintained the view they expressed in response to the August 04 consultation letter that the proposal was the most appropriate of the three initially presented but that they did not support it on the grounds of safety concerns. They believed that, even with a specific description explaining what the enquiry service number is for, there was the possibility for customers to dial this number in error to report a gas escape. The other respondent did not express a view on the proposed option.

Proposed effective date of proposed direction

Six respondents commented directly on the proposed effective date of the proposed direction of 1 June 2005. One respondent supported this proposed date. One respondent considered that this date may be achievable but that they had not yet received confirmation of the availability of the customer enquiry service provided by Xoserve⁴.

The other respondents expressed concerns about their ability to implement the necessary changes in this timescale. One supplier stated that they would not be able to implement the required changes before the end of July 2005. Another believed that there was insufficient time to implement a full change before 1 July 2005 and that an interim solution would be needed whereby customer-facing staff would inform customers of an enquiry service telephone number. One respondent considered that 1 May 2005 would be a more appropriate effective date as this was the date from which shippers will be supplying gas on different networks under separate short form network codes.

One supplier suggested two approaches to implementation. The first was for the proposed direction to be issued conditional upon the sale of the DNs proceeding and the implementation period could run for three months starting from 1 June 2005. The other suggestion was for the

⁴ Xoserve was launched by Transco on 5 April 2004 as a separate business, set up to provide the transactional services previously provided by Transco (such as supply point services, billing services, energy balancing, data management and information services).

Authority to issue the proposed direction at any point before 1 June 2005 but allow a six month implementation period. This period would be intended to mitigate supplier costs by enabling them to schedule any necessary changes to fit with ongoing system development and stationery printing cycles.

Drafting of proposed direction

Three respondents commented on the drafting of the proposed direction. Two respondents stated that they were comfortable with the current wording. The other respondent believed that the text of the proposed direction does not relieve suppliers of the obligation to print the relevant MPRN on customer bills and suggested revising paragraph 6 to amend this, together with some other minor drafting changes.

Review of SLC 21

In the March 05 consultation letter, Ofgem expressed the view that a direction under SLC 21 may be a short term solution to the difficulty in identifying the relevant GT after the sale of the DNs. It suggested that the requirements of SLC 21 should be reviewed as part of its review of the supply licence obligations to ensure that they are appropriate. One respondent supported reviewing the requirements of this licence condition. Another believed that the existing obligation in respect of providing GT contact details serves no purpose and is a relic of previously integrated gas retail arrangements. They welcomed Ofgem's intention to review the licence condition but believed that the most appropriate resolution is for Ofgem to issue a direction under paragraph 4 of SLC 21 as soon as possible. One respondent asked what was meant by a short term solution and asked whether it would remain in effect until the review of the supply licence is completed.

Other comments

A number of respondents raised other issues. Two suppliers commented on Independent Gas Transporters (IGTs). One noted that the Xoserve-provided customer enquiry service does not currently cater for the provision of information in respect of customers on IGT networks and strongly encouraged Ofgem and the GTs to consider this amendment. Another supplier commented on the allocation of MPRN ranges by Ofgem for IGTs which are currently used to enable suppliers to identify the relevant GT where the customer is supplied on an IGT network. They recommended that, where an IGT that has ceased trading decides to re-enter the market, a new range of MPRNs should be allocated to them to prevent confusion as to which MPRNs within their original allocation related to a portfolio that had been acquired by another GT.

One respondent noted that the proposed direction includes a requirement to provide a brief and clear explanation on customer bills as to the purpose of the enquiry service telephone number. They proposed that the Supply Point Administration Agreement Change of Supplier Expert Group would be the appropriate forum to consider standardised wording for suppliers to ensure consistency and clarity for customers.

One respondent considered that there should be a requirement in the proposed direction that the telephone number be a freephone number as the customer previously was given details of their GT free of charge but would be required to pay after the sale of the DNs.

Ofgem's views

Proposal

Ofgem notes the concerns expressed by one respondent that printing two telephone numbers on a customer bill may cause confusion with the emergency contact number. However, until it has completed its thorough review of the gas suppliers' licence and the requirements of SLC 21 in particular, it believes that customers should continue to have access to the identity of their GT. It agrees with the majority of respondents that the proposed direction represents a cost-effective solution to enable suppliers to continue to make this information available, following sale of the DNs, without excessive cost. The risk of customer confusion may be mitigated by the requirement to include a clear explanation about the purpose of the two telephone numbers. Ofgem agrees that the industry could usefully consider standardised wording to ensure clarity and consistency for customers.

Proposed effective date of the proposed direction

As noted above, a number of respondents commented on the proposed effective date of the proposed direction. Some expressed concerns about whether a proposed effective date of 1 June 2005 is achievable.

Ofgem notes the view expressed by one respondent that the proposed effective date should be 1 May 2005. From this date, five of Transco's DNs will be operated by different GTs with different names, even though all will continue to be owned by Transco plc until 1 June 2005 when it is planned that some of those DNs will be sold. Without the proposed direction in effect on 1 May 2005, suppliers, in order to comply with SLC 21, would need to differentiate between these GTs in order to notify customers of the correct names and addresses from that date.

Ofgem therefore believes that the effective date of the proposed direction should be 1 May 2005. As the responses have highlighted, some suppliers may not be able to provide a telephone number until July 2005. Ofgem notes the concerns relating to when suppliers can implement the necessary changes. It considers that a reasonable time should be allowed for suppliers to make the necessary changes to provide a telephone number on customer bills but that suppliers should be permitted to do so sooner if they wish. The drafting of the direction has been amended to reflect this so that suppliers, in order to be relieved of the obligation to provide the name and address of the relevant GT, can provide the telephone number on customer bills issued after either 1 May 2005 or after 1 September 2005. This should permit those suppliers that wish to provide customers with a telephone number to do so from 1 May 2005 but requires all suppliers, in order to be relieved of the relevant obligations under SLC 21, to provide a telephone number on bills or statements issued after 1 September 2005.

In the meantime, suppliers and GTs may wish to consider devising a process by which any correspondence received by Transco from customers, would be appropriately dealt with irrespective of whether Transco continues to be the relevant GT.

Drafting of proposed direction

Ofgem notes the amendments suggested by one respondent. It agrees with some of the proposed amendments and has made a number of other changes relating to the proposed effective date (which have been incorporated in the direction issued by the Authority). In particular:

- old paragraph 3 has been deleted and new paragraph 4 has been included to explain the background to the date of the direction which relates to the planned sale of a number of Transco's DNs;
- paragraph 7 has been amended to delete the reference to the relevant GT's MPRN or codes for the customer's premises as the direction does not relieve suppliers of the obligation in paragraphs 1 and 2 of SLC 21 to keep each customer informed of that MPRN or the codes for the customer's premises on each customer bill;
- paragraph 7 has also been amended with the effect that, in order to be relieved of the obligations under paragraphs 1 and 2 of SLC 21, a supplier must provide a telephone number either on bills or statements issued after 1 May 2005 (paragraph 7(a)) or on bills or statements issued after 1 September 2005 (paragraph 7(b)) or annually to customers from 1 May 2005 where the customer does not receive a bill or statement (paragraph 7(c)). The reason for this change is discussed above.
- paragraph 8(b) has been amended to reduce the level of specification required in relation to the telephone number on customer bills. Ofgem considers that the requirements, as previously drafted, specify too much information for inclusion on customer bills. The requirement to give a brief and clear explanation of the purpose of the telephone number has however been retained.
- paragraph 9 has been amended to reflect the date of new date of the direction (the reason for that date is discussed above) and makes it clear that if the Authority amends or revokes the direction it will do so giving six months' notice to the licensee; and
- other drafting changes have been made to the direction to reflect more closely the wording in SLC 21.

In relation to comments raised that the proposed direction does not remove the requirement to inform the customer of their MPRN, it was not Ofgem's intention to relieve this obligation. The MPRN is an important piece of information for the customer to have to improve the smoothness of the change of supplier process and query resolution. Unlike the identity of the GT, it should be easy for a supplier to continue to print the MPRN on customer bills after the sale of the DNs and Ofgem believes that the existing requirement on gas suppliers to notify customers of this number should be retained. The proposed direction is intended to address only the difficulties in providing the name and address of the relevant GT.

Review of SLC 21 and response to other comments

Ofgem notes the comments made by respondents concerning IGTs. It agrees that there may be benefits for suppliers in a customer enquiry service being able to identify the relevant GT where the customer is supplied on an IGT network. The industry may wish to consider the costs and benefits of making this amendment.

In the longer term, as noted above, Ofgem is in the process of reviewing the current requirements of the gas suppliers licence and will consider the obligation to inform customers of the relevant GT during that process. Until a decision is reached on the future applicability of the requirements of SLC 21 and any changes enacted if necessary, Ofgem believes that the proposed

direction is a pragmatic approach that would enable customers to continue to have access to information about the relevant GT without undue cost to the industry.

Ofgem notes that there is the possibility of confusion in identifying IGTs by the MPRN where IGTs withdraw from the market and re-enter using the same MPRN range allocation. Ofgem agrees that this could perhaps be prevented by allocating a new range of MPRNs in these instances. As part of current work by the IGT Work Group, Ofgem believes that the process of MPRN range allocation for IGTs should be managed by suppliers and GTs through existing governance arrangements so that market participants can determine the most practical way for this process to operate.

Ofgem notes the view that the telephone number provided by suppliers should be a freephone number. However, it currently believes that this would be overly prescriptive in terms of how suppliers choose to discharge this obligation. Where suppliers choose to print the telephone number of an enquiry service provided under standard licence condition 31 (Supply Point Information Service) of the gas transporters' licence, such as that operated by Xoserve on behalf of Transco, this service must be provided to customers free of charge by the requirements of that condition.

Conclusion

Ofgem agrees with the majority of respondents that the proposed direction attached to the March 05 consultation letter is a pragmatic way of enabling customers to determine the identity of their GT after the sale of the DNs without undue costs on suppliers in system changes. A change-marked draft of the direction is appended to this letter reflecting the amendments described above. The Authority will issue the direction concurrently with this letter and this will be available on the Ofgem web-site. That direction will come into effect on and from 1 May 2005.

This letter constitutes the notice by the Authority under section 38A(1)(c) of the Gas Act 1986 in relation to the direction.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'I. Anthony', with a horizontal line underneath it.

Ian Anthony
Market Infrastructure Manager

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

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. ~~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.
3. ~~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~~customers in relation to the supply of gas or annually where the customer does not receive such a bill or statement.
- ~~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. Transco plc (Transco) is proposing to transfer a local gas distribution network to each of four wholly owned subsidiary companies and transfer a gas transporter licence to each of those companies on 1 May 2005. Transco is then proposing to sell the shares in each of the four wholly owned subsidiary companies to third party purchasers on 1 June 2005.
5. ~~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.
6. ~~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 on each bill or statement given to the customers in relation to the supply of gas or annually where the customer does not receive such bill or statement, in respect of a customer (the relevant customer) where the licensee ~~has complied~~complies with the conditions set out in paragraphs ~~6~~7 and ~~7~~8 of this direction in relation to such relevant customer.
7. ~~6.~~AThe 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;~~
 - (a) on each bill or statement given to the relevant customer in relation to the supply of gas from a date between 1 May 2005 and the date of the first bill or statement given to that customer after 1 September 2005; or

- (b) on each bill or statement given to the relevant customer in relation to the supply of gas from the date of the first bill or statement given to that customer after 1 September 2005; or
- (c) annually from 1 May 2005 where the customer does not receive a bill or statement in relation to the supply of gas.

8. ~~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 telephone 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.

9. ~~8.~~ This direction shall have effect on and from 1 ~~June~~May 2005 and shall continue until revoked or amended by the Authority on giving not less than six months' prior written notice to the licensee.

Dated / /

Name and position
Duly authorised by and on behalf of the Authority