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to customers*

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17 August 2004

ES Pipelines Ltd, Shippers and other parties.

Dear Colleague,

Modification Proposal ESP037: Customer requested objections.

Ofgem has considered the issues raised by modification proposal ESP037.

Having had regard to the principle objective and statutory duties of the Authority, Ofgem has decided to direct East Surrey Pipelines Ltd (ESP) to implement modification proposal ESP037 because we consider that the proposal will better facilitate the relevant objectives of ESP's network code as defined in standard condition 9 of its Gas Transporters (GT) Licence.

In this letter we provide some background to the modification proposal and explain the reasons for our decision.

Background to the modification proposal

On 24 February 2004 Ofgem approved Transco modification proposal 641, which sought to align the network code with the new obligations introduced into the Gas Suppliers Licence by amended standard condition 46, allowing for 'Customer Requested Objections' (CRO). This modification placed an obligation on Transco to pass any data relating to an objection to a supply point transfer, which has been received via a consumer, onto the proposing user within 2 business days.

Modification proposal ESP037 was raised following a routine review of the ESP network code in order to align elements of the customer transfer network code obligations with those already in use by Transco.

The modification proposal

This modification proposal seeks to introduce CRO obligations into the ESP network code so as to replicate the procedures and obligations already adopted by Transco. This involves the

insertion of additional paragraphs into Section CI of ESP's network code to enable consumers to raise an objection to a supply point transfer where a consumer believes there to be a valid reason for objection. In addition, it would place an obligation on the Operator to pass the details of any such objection onto the incoming/proposing user within 2 business days.

Respondents' views

ESP received on representation to this modification proposal, which expressed full support for implementation.

Ofgem's views

Customers should only be transferred where they have entered into a new contract with a supplier. Ofgem believes that if a customer states that they have not entered into a contract to transfer there is merit in allowing the existing supplier to block the transfer. This new obligation may help to decrease the number of erroneous transfers that occur and should contribute to the securing of effective competition between relevant suppliers.

Ofgem's decision

Ofgem has decided, for the reasons outlined above, to direct ESP to implement this modification proposal because it will better facilitate the achievement of the relevant objectives as outlined under standard condition 9 of the GT licence and is consistent with the principle objective and statutory duties of the Authority. In particular it should contribute to the fulfilment of standard condition 9.1 (c) of the GT Licence.

If you have any queries regarding this letter please contact Roger Morgan on 020 7901 7346 or Samantha McEwen on 020 7901 7032.

Yours sincerely



Samantha McEwen
Manager, Gas Modifications