CoS Options Analysis – Supply Point Nomination (Gas only)

1. High level objective

1.01 Our high level objective is for suppliers to be able to quickly access the (accurate) industry data needed to transfer a consumer. This paper focuses on the Supply Point Nomination process which provides information to shippers on Supply Point data and transportation rates for prospective transfers Larger Supply Points[1] (LSPs).

2. Description of the issue

2.01 A request by a shipper to transfer a consumer (domestic or non-domestic) at an LSP site incorporates an additional mandatory stage at the start of the transfer process to provide the shipper seeking to take on an LSP, with information on transportation rates and other Supply Point data (see Annex 1). This information can be used to assist the supplier in preparing a contract price for the customer.

2.02 Supply Point Nomination refers to the request the prospective incoming shipper makes to obtain the data on transportation rates and other Supply Point data. This request is made to Xoserve (acting as agent of the large gas transporters). Xoserve respond to the Supply Point Nomination request by sending a Supply Point Offer (which includes the data items set out in Annex 1). [2] Any subsequent Supply Point Confirmation request (to transfer the site to a new supplier) must include the Supply Point Offer reference.

2.03 The Supply Point Nomination process also requires shippers to propose SOQ, SHQ and AQ values (linked to the capacity requirements) for DM LSP sites. Where the prospective incoming shipper is looking to increase the Supply Point off take for a DM site, the Supply Point Nomination is referred to the gas transporter (this is known as a **Referral**).[3] The gas transporter will then assess the capacity of its network to accommodate the additional load. There is no ability for an NDM LSP sites to propose new capacity values during the Supply Point Nomination process. Referrals therefore do not take place for NDM sites and any change to capacity requirements would need to be made after the transfer is completed using the BTU process.

2.04 The Supply Point Offer is returned by Xoserve within <u>two days</u> unless a Referral is required, in which case the response is returned within <u>twelve days</u>. Where there is no Referral, we understand that Xoserve typically provide a response within the hour although this may be longer at times of high system usage.

2.05 The transfer process on iGT networks also includes a Supply Point Nomination stage. We understand that this operates in the same way as the service provided by Xoserve. Were the Project Nexus proposals to be implemented, we understand that Xoserve would provide a common service for Supply Point Nominations and Offers across all gas transporter networks.

2.06 This discussion paper uses information provided by Xoserve to help support Ofgem's Change of Supply project.[4]

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[1] A Larger Supply Point is defined as a site with an AQ of greater than 73,200kWh.
[2] The Supply Point Offer is valid for a period of up to six months.
[3] Analysis provided by Xoserve indicates that there were 3,745,192 nominations in 2012 of which 3,382,114 were accepted by Xoserve. Of these 576 (0.017%) passed through the referral process. Most Referrals (83% were returned within the 12 day window. Some were more complex and took longer to resolve.
[4] http://www.ofgem.gov.uk/Markets/sm/strategy/ws/Documents1/20130520_CoRS_Process_Review.pdf

3. Options

3.1 Option 1: Shorten response timescales

3.01 It may be possible to shorten the response times to a shipper's Supply Point Nomination request. The response times would differ depending on whether a Referral was made or not.

- **No Referral**: We understand that a Supply Point Offer requires standing data only which does not require any processing, calculation or further investigation by Xoserve. Where a Referral is not made the maximum response time could potentially be reduced from two days to one day, within day or much quicker, ie a matter of minutes.
- **Referral**: Where a Referral is made, and the gas transporter is required to undertake further investigation to assess the capacity impacts. We would like to explore the potential to reduce the response time from the current twelve day requirement although we note that the issues can be complex and the incidence of Referral is low.

3.2 Option 2: Establish a web-based shipper look-up/enquiry service

3.02 Obtaining transportation rates and other relevant Supply Point data by a prospective incoming shipper could be achieved by utilising a web-based look-up/enquiry service rather than utilising industry file flows (current practice). Under this option it would be useful to explore the potential benefits of instant access to data as well as where it would be held eg on a central registration database, by Xoserve on UK Link or elsewhere. This could potentially remove the requirement to send a Supply Point Nomination for NDM sites.

3.03 We would like to explore the implications for DM sites with COSEG and in particular the requirement to retain a process to support capacity Referrals.

3.3 Option 3: Greater use of existing Supply Point Enquiry Service

3.04 As an alternative to submitting a Supply Point Nomination in order to obtain relevant data, the UNC allows a prospective incoming shipper to obtain information through the submission of a Supply Point Enquiry[5] against the MPRN at any LSP site. Current utilisation of this service is low and we understand that this is because the Supply Point Nomination process is a mandated part of the transfer process – the shipper still has to go through the Supply Point Nomination process and making a Supply Point Enquiry would not provide them with an additional information that that which would be obtained under the Supply Point Nomination process. An option may be to consider not making the Supply Point Nomination Service mandatory so that shippers could obtain the information htey need through the Supply Point Enquiry service.

3.4 Option 4: Only allow DM Referrals after CoS has completed

3.05 The timescales for completion of the nomination process are impacted by the need for capacity Referrals at DM sites to be made to the gas transporters. An alternative approach might be for prevailing AQ, SHQ and SOQ values to be retained at the Supply Point until such time as the CoS process is complete, and for changes to these to be proposed by the newly incumbent shipper at a later date. This would mirror the process for NDM sites.

3.06 Shippers may regard this approach as risky, as they may be unable to fulfil contracts with end users who they have agreed to supply at a given load, only for them to subsequently identify that these contractual requirements cannot be met by the gas transporter.

4. Next steps

4.01 We would like you to consider the above scenarios for centralising registration services. We will introduce these for initial review at the COSEG meeting on 1 July and we propose to discuss this further at the meeting on 22 July.

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[5]This is not a web based service. Shippers can currently submit a Supply Point Enquiry if they are "contemplating submitting a Supply Point Nomination". Xoserve will then respond to the Supply Point Enquiry within two working days.

5. Annex 1: Response to Supply Point Nomination (the Supply Point Offer)

5.01   The following is the list of data items that Xoserve provide to the shipper following receipt of a Supply Point Nomination request. The response takes the form of a Supply Point Offer.

- Supply Type Code (Firm or Interruptible)
- Meter Read Agency
- Meter Read Frequency
- The minimum MRF acceptable at the site
- Requested DM SOQ (If appropriate)
- Requested DH SHQ (If appropriate)
- Offered DM SOQ (If appropriate)
- Offered DM SHQ (If appropriate)
- Bottom Stop SOQ (If appropriate)
- NDM SOQ
- Exit Zone Capacity Charge
- NTS Exit Commodity Charge
- LDZ Customer Charge
- LDZ Capacity Charge
- LDZ Commodity Charge
- Exit Zone Identifier
- LDZ identifier
- Supply Point category (In terms of gas nomination type e.g. VLDMC, NDMA etc.)
- TNI Interruptible Days
- Time and Date of the Offer