



To distribution companies,
shippers, suppliers, customer
groups and other interested
parties

*Promoting choice and value for
all gas and electricity customers*

Your Ref:
Our Ref:
Direct Dial: 020 7901 7194
Email: rachel.fletcher@ofgem.gov.uk

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Dear Colleague

Changes to the RIIO-GD1 timetable following the Health and Safety Executive (HSE) decision on iron mains replacement

The Health and Safety Executive (HSE) is responsible for regulating the safety of the Gas Distribution Networks (GDNs) in terms of public, network and workplace safety. Ofgem is responsible for determining an appropriate level of funding for the GDNs to operate and maintain their networks. We are currently working on the gas distribution price control review (RIIO-GD1), which will set allowed revenue for the GDNs for the period 2013 to 2021. This control will also specify the outputs that the GDNs will need to provide to consumers in return for these revenues.

The HSE has signalled significant changes to the iron mains replacement programme. They consider these changes will provide a more efficient and targeted approach to risk reduction by the GDNs while allowing the GDNs to consider a wider range of benefits in planning their work. In summary the HSE is moving from a prescriptive approach which requires GDNs to prioritise the removal of a set length of iron mains based on risk, to an approach where GDNs will remove the riskiest iron mains first and decide on the management of the remainder of their iron mains on a similar basis to the way they manage other assets.

Ofgem has decided to revise the RIIO-GD1 timetable in light of the HSE's decision to adopt these important changes. We will require GDNs to submit their business plans by the end of November 2011 rather than at the end of July 2011. **Our decision does not impact the timetable for the transmission price control review (RIIO-T1).** The transmission review will run as planned, with business plans submitted to us by the end of July 2011. We remain committed to completing RIIO-T1 and RIIO-GD1 in December 2012.

The revised RIIO-GD1 timetable is presented in the following table.

	RIIO-GD1 revised timetable
Business plans received	30-Nov-11
Feedback on GDN business plans	End Feb-12
Business plan revisions received	Late Apr-12
Initial Proposals published	late July or early Aug 12
Final Proposals published	Dec-12
Price Control commences	01-Apr-13

Extending the timetable for GDN business plan submissions should benefit customers. The extra four months will allow GDNs to amend their plans to better target reductions in risk and to look for opportunities for further operational, environmental and efficiency benefits.

The change in the timetable means that it will be impractical to conclude a price control settlement by February 2012 for a GDN with a well justified business plan (this opportunity is in place for the transmission companies). However, in line with the RIIO principles, we will adopt a proportionate approach to business plan assessment. GDNs that submit well justified business plans are likely to require less regulatory scrutiny. It may still be possible for us to settle price controls for well justified GDN business plans around the Initial Proposals stage in the late summer of 2012.

Please contact Paul Branston (email: paul.branston@ofgem.gov.uk) or Chris Watts (email: chris.watts@ofgem.gov.uk) if you have any queries regarding this letter.

Yours faithfully



Rachel Fletcher
Partner, Distribution