



*Promoting choice and
value for all customers*

Members of the SLR Steering
Group

Consumer Groups/Interested
Parties

ERA

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Dear Colleague

Supply Licence Review – eligibility for free gas safety checks

This open letter seeks views from interested parties on whether Ofgem should extend the obligation it proposed in December 2006 (see below) on gas suppliers to provide free gas safety checks to owner occupier households where all the occupants are either of pensionable age, disabled or chronically sick or are under 18 and the customer is in receipt of means tested benefits. The proposed extension would mean that free checks would also be available to owner occupier households where at least one child under the age of 5 years is living and where the customer is in receipt of means tested benefits.

Background

Currently gas suppliers are required to provide free gas safety checks to customers who are eligible for inclusion on the suppliers' PSR¹ provided that they do not live in rented accommodation and live alone or only live with other people who are of pensionable age, disabled or chronically sick or with people who are under 18 years old.²

The Supply Licence Review – Further Proposals Consultation Paper issued in December 2006 (the December consultation)³ proposed that the obligation on gas suppliers to provide these checks should be amended to limit eligibility for the free check to a subset of the customers who are currently eligible – namely those who are in receipt of means tested benefits (the December 2006 proposal). This proposal would significantly reduce the total number of customers who are eligible for checks (from approximately 5 million to approximately 1 million customers). This proposal is intended to ensure that free checks are better targeted at those who need them.

Throughout the Supply Licence Review process and in particular in responding to the July consultation, some respondents have been calling for the obligation to apply to all

¹ A domestic customer is eligible for inclusion on the PSR if they are of pensionable age, disabled or chronically sick

² Gas SLC 37 (2)(a) – Obligation requires free gas safety checks to be carried out on request and at intervals of not less than 12 months, for elderly or disabled people living alone (or with others who qualify for the PSR or are under 18) where a landlord inspection is not required under health & Safety Legislation.

³ http://www.ofgem.gov.uk/Markets/RetMkts/Compl/SLR/Documents1/16507-217_06.pdf

customers who are owner occupiers and are on means tested benefits, not just those who are of pensionable age or are disabled or chronically sick. Our view, which we set out in the December consultation, has been that this would not be an appropriate extension, in view of its potential impact on the availability of free checks to the PSR eligible customers, who are a high risk group. A draft impact assessment (the draft impact assessment) of our proposals on this issue were annexed to the December consultation paper.

In addition to our proposals concerning the free gas safety check we proposed to include a new obligation on gas suppliers to provide information to all of their customers (not just those eligible for the PSR) on issues relating to gas safety, including the availability of free gas safety checks and the dangers of carbon monoxide.

Further thinking

Some of the respondents to the December consultation suggested that it might be possible to extend eligibility to cover owner occupier households where the occupants include a child under the age of five years on the basis that very small children are at a higher risk from carbon monoxide poisoning – in terms of their health vulnerability and the amount of time they are likely to spend in the home. Evidence has been presented to us⁴ which indicates that children are at an increased risk from carbon monoxide poisoning compared to adults.

At the SLR Steering Group meeting on 29 March, we agreed to further consider what the impact would be of extending our proposed free gas safety check obligation to cover owner occupier households on means tested benefits which include a child under 5 years of age. We have also discussed this possible extension with gas safety interest groups.

Looking at the impact of such an extension, DTI analysis of the 2004/5 Family Resources Survey suggests that extending eligibility to owner occupiers on means-tested benefits with children under 5 years old, would increase the group of customers eligible for free checks by around 100,000. The number of customers eligible under our December 2006 proposals was around 1 million – therefore this extension would represent a fairly small increase for suppliers and the total number of eligible households remains significantly below the current total of 5 million.

In summary, having assessed the proposed extension in a similar manner to the proposals considered in the draft impact assessment, we estimate that the proposed expansion would⁵:

- protect groups with increased risk
- increase size of eligible group to 1.1 million (from 1 million for December 2006 proposals or 5 million currently eligible) according to DTI analysis of the Family Resources Survey
- lead to an overall expected number of checks of between 33,000 and 55,000 checks per annum⁶ (compared to 30,000 and 50,000 for December 2006 proposals and 45,000 checks currently carried out)
- lead to an overall expected cost to suppliers of checks of between £1.73 million and £2.89 million per annum (compared to £1.57 million and £2.62 million for December 2006 proposals and £2.4 million per annum for current checks)

We would welcome views from interested parties on whether it would be appropriate to extend eligibility to cover owner occupier households on means tested benefits where the household includes a child who is under 5 years of age. At this stage we are minded to include this extension in the proposed modified licence and a draft licence condition is

⁴ Published letter by the Government's Chief Medical Officer's letter - http://www.dh.gov.uk/en/PublicationsAndStatistics/LettersAndCirculars/ProfessionalLetters/ChiefMedicalOfficerLetters/DH_4004524

⁵ all figures are approximate figures


⁶ based on estimated take up rates of 3% and 5% (current take up rate is 1%) (see the draft impact assessment)

attached to this letter for information and comment. We would also welcome views on the scope for collective voluntary action by suppliers in this area.

In view of the current tight timetable on the supply licence review, I would be grateful for your reply by 2 May 2007. If you anticipate any problems with responding within this period, I would be grateful if you could contact my colleague Liz Chester, at liz.Chester@ofgem.gov.uk. Your comments will, in part, inform our decision on who should be eligible for free gas safety checks under the supply licence. If you would like to discuss this further please do not hesitate to contact me.

Yours sincerely,



 Michael Knowles
Head of Licensing

Gas safety

Arrangements for gas safety checks

27.1 The licensee must provide a gas safety check, in accordance with the requirements of paragraph 27.3, where the Domestic Customer meets the criteria set out in 27.2 and:

- (a) is of Pensionable Age, disabled or chronically sick; and
 - (i) lives alone; or
 - (ii) lives with others who are all of Pensionable Age, disabled, chronically sick or under 18 years old; or
- (b) lives with others, at least one of whom is under five years old;

27.2 The criteria referred to in paragraph 27.1 are that the Domestic Customer:

- (c) does not occupy premises in relation to which a landlord is responsible for arranging a gas safety check under regulations made under the Health and Safety at Work etc Act 1974;
- (d) is in receipt of a means-tested benefit;
- (e) has asked for a gas safety check to be carried out; and
- (f) has not had a gas safety check carried out at the premises in the last 12 months or such longer period as may be directed by the Authority following consultation with the Secretary of State and such other persons that the Authority considers are likely to be affected.

27.3 The requirements referred to in paragraph 27.1 are that gas safety checks must:

- (a) be provided free of charge;
- (b) be carried out by a person who has appropriate expertise;
- (c) include checks on the safety of gas appliances and other gas fittings on the customer's side of the Gas Meter; and
- (d) for a gas appliance, include an examination of:
 - (i) the effectiveness of any flue;
 - (ii) the supply of combustion air;
 - (iii) its operating pressure or heat input or, where necessary, both; and
 - (iv) its operation so as to ensure its safe functioning.

Provision of gas safety advice

- 7.4 The licensee must take all reasonable steps to provide, free of charge, the information required by paragraph 27.5 to each Domestic Customer at least once each year and must provide it when requested to do so by a Domestic Customer.
- 27.5 The information referred to in paragraph 27.4 is information sufficient to inform each of the licensee's Domestic Customers about:
- (a) the safe use of gas appliances and other gas fittings;
 - (b) the dangers of carbon monoxide poisoning;
 - (c) the benefits of fitting an audible carbon monoxide alarm that complies with a relevant British or European safety standard;
 - (d) the benefits of gas safety checks; and
 - (e) where to seek advice if gas appliances are condemned as a result of a gas safety check.

Provision of information

- 27.6 The licensee must:
- (a) prepare a statement that sets out, in plain and intelligible language, its obligations under paragraphs 27.1 to 27.3 of this condition;
 - (b) publish that statement on and make it readily accessible from its Website (if it has one);
 - (c) take all reasonable steps to inform each of its Domestic Customers, at least once each year, of that statement and how to obtain it; and
 - (d) give a copy of the statement on request and free of charge to any person.