



To Licensed Gas Transporters,
Shippers and Suppliers; Health
and Safety Executive;
Consumers; Customer groups
and other interested parties

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

Your Ref:
Our Ref: 33/11
Direct Dial: 020 7901 7292
Email: steve.brown@ofgem.gov.uk

Date: 18 March 2011

Dear Colleague

Open letter consultation on responsibility for Uniform Network Code Sub-Deduct Arrangements

This open letter discusses responsibility for the pipework and relevant assets within sub-deduct networks and seeks views from interested parties.

We have considered who has responsibility for the continuity of supply, maintenance, repair and renewal of the pipework and relevant assets within sub-deduct networks. We seek feedback on our provisional view. After we have reviewed the responses to this consultation, we intend to publish a letter to set out our decision on how we will address this issue including, if applicable, arrangements for amending the regulated revenues of gas transporters. We anticipate this decision letter will be published by the end of June 2011.

We would welcome written responses to this open letter consultation on or before **6 May 2011**.

Background - what is a sub-deduct network?

A sub-deduct network is a configuration of pipework downstream of a gas transporter's network. In a sub-deduct network, a primary meter measures the total flow of gas into the sub-deduct network from the gas transporter's network. Secondary meters are placed downstream of that primary meter to measure the gas conveyed through the sub-deduct network to individual secondary gas users. The primary user of gas is charged for the gas that enters the sub-deduct network at the primary meter, less the aggregate consumption measured by the secondary meters. Secondary meters within sub-deduct networks are open to competitive gas supply. Each individual customer with a primary or secondary sub-deduct meter may therefore have a different licensed gas supplier.

Sub-deduct networks were built during an earlier regulatory regime when British Gas Corporation ("BG") had a statutory monopoly of both the distribution of natural gas through pipes and the supply of gas in Great Britain ("GB").

We understand that BG, as both supplier and conveyer of gas, chose to install sub-deduct networks (as opposed to installing conventional individual service connections) as a means of economically and efficiently connecting a number of individual tariff and/or contract gas users to its gas network. In situations where a number of premises requiring connection

The Office of Gas and Electricity Markets

9 Millbank London SW1P 3GE **Tel** 020 7901 7000 **Fax** 020 7901 7066 www.ofgem.gov.uk

were situated at some distance from the most suitable gas main, but were relatively close to each other, a sub-deduct network could require less pipework and be cheaper to install than individual conventional connections.

Existing sub-deduct networks were recognised under the industry's Network Code¹ and subsequently under the Uniform Network Code ("UNC") as "Sub-Deduct Arrangements"². This differentiates Sub-Deduct Arrangements from 'private networks' which are not recognised in the UNC and are not the subject of this letter.

We are not aware of any Sub-Deduct Arrangements being built after the introduction of the Network Code on 1 March 1996.

Since the creation of Sub-Deduct Arrangements by BG, the industry has seen many changes including the separation of the conveyance and supply activities, changes in corporate ownership including the sale of the Distribution Networks in 2005 ("DN Sales") and revisions to the regulatory environment.

Sub-Deduct Arrangements were included in the recently expired Gas Act 1986 (Exemptions) (No.1) Order 1996. The current Order is the Gas (Exemptions) Order 2011 ("the Order")³ which sets out a number of exemptions from the requirement under section 5 of the Gas Act 1986 to hold a licence for the transportation, supply and shipping of gas when carrying out activities in the circumstances outlined in the Order. The relevant article of the Order is set out in **Annex 1**. There is also reference to Sub-Deduct Arrangements in the Gas Transporter ("GT") Standard Licence Conditions⁴.

The statutory and regulatory arrangements do not set out explicitly who is responsible for the continuity of supply, maintenance, repair and renewal of individual Sub-Deduct Arrangements.

Our concerns

In principle, the Sub-Deduct Arrangements could be the responsibility of persons owning land on which a Sub-Deduct Arrangement exists ("site owners"); the local Gas Distribution Network ("GDN"); or National Grid Gas (NGG) as the GDN to whom the general pipeline ownership was passed from BG. Uncertainty as to where responsibility lies means that in most cases, no party has assumed explicit responsibility for Sub-Deduct Arrangements. This raises concern regarding security of supply and gas safety, with associated risks for end users and the general public. In the light of the Authority's principal objective to protect the interests of existing and future consumers in relation to gas conveyed through pipes⁵, we consider this matter needs to be addressed and suitable mechanisms put in place as soon as possible.

Our preference is to find a resolution that avoids continued uncertainty and covers all foreseeable eventualities and circumstances. We have therefore re-examined this issue, and have discussed the matter with the Health and Safety Executive ("HSE").

Treatment of Sub-Deduct Arrangements to date

We raised this matter at the last Gas Distribution Price Control Review ("GDPCR1") in 2007. At that point, some GDNs indicated⁶ that they did not consider that they were responsible for Sub-Deduct Arrangements.

¹ Predecessor code to the UNC

² The UNC term "Sub-Deduct Arrangements" will be used in this letter to refer to sub-deduct networks.

³ <http://www.legislation.gov.uk/ukxi/2011/232/made>

⁴ http://epr.ofgem.gov.uk/document_fetch.php?documentid=14307 inc. Conditions 5, 6, 7,8 28,31 and 48

⁵ Section 4AA Gas Act 1986

⁶ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=249&refer=Networks/GasDistr/GDPCR7-13>

However, as part of that process, and having discussed the matter with the HSE, there was general agreement in principle that the preferred solution was for the GDNs to adopt the Sub-Deduct Arrangements. The intention was that the GDNs would ultimately have ownership and maintenance responsibility for the Sub-Deduct Arrangements.

Ofgem therefore set a £1.8m revenue allowance for GDNs to conduct technical surveys of all Sub-Deduct Arrangements attached to their systems. The surveys sought to collate all available technical and access information and broadly establish whether each site owner or operator considered themselves (either as a "relevant person" under the Order⁷ or as a GT) responsible for the Sub-Deduct Arrangement. The GDNs were also required to assess the potential difficulties and estimate the approximate costs of undertaking the re-engineering works necessary to eliminate each Sub-Deduct Arrangement.

Some GDNs have since re-stated that they would only consider adopting the Sub-Deduct Arrangements on the condition that the relevant assets had been risk assessed, replaced or re-engineered. Such a process could take considerable time to complete and be very costly. Until such a time, the ownership and responsibility for Sub-Deduct Arrangements would remain uncertain and some might never qualify for adoption.

The surveys have been largely completed and the results are summarised in **Annex 2**. The surveys have not provided any substantive evidence regarding ownership of, or responsibility for, Sub-Deduct Arrangements. However, they have given us a more informed view of the approximate cost of the re-engineering works that may be necessary to eliminate them. This cost is estimated to be £44m.

Based on our review of the legislative framework, regulatory arrangements and other information available to us, our provisional view, subject to the consideration of responses to this consultation, is as follows:

1. either a GT or the site owner or operator is the responsible party;
2. it is unlikely that the site owner or operator would be responsible without knowledge of such responsibility, given the legal requirements to follow the Order and the Gas Safety (Management) Regulations 1996 ("GSMR"); and
3. if responsibility lies with GTs, we consider that Sub-Deduct Arrangements are currently owned, operated by and the responsibility of BG's relevant statutory successor, NGG unless there is evidence that this responsibility was either transferred at the time of DN sales to the Independent Distribution Networks (IDNs) or to specific site owners or operators.

Issues we have considered

Site owner or operator as the responsible party

The site owner or operator could be responsible for Sub-Deduct Arrangements because there is provision in the Order⁸ for a person ("relevant person") conveying gas in a Sub-Deduct Arrangement to be exempt from holding a GT licence, subject to certain conditions. This provision means that there is a legal mechanism in place to enable a site owner or operator to be a relevant person, responsible for Sub-Deduct Arrangements.

⁷ Section 8(1) of the Gas Exemptions (Order) 2011 defines 'A person ("the relevant person") is an exempt transporter when conveying gas to premises ("the relevant premises") where -.....' please see Annex 1.

⁸ See Article 8 of the Gas (Exemptions) Order 2011 set out in Annex 1

The UNC makes specific provision (please see **Annex 3** for further details) for a GT (System) or relevant person under the Order (Non-System) to convey gas through a particular Sub-Deduct Arrangement⁹. This does not mean that a site owner or operator is the responsible party but it does not prevent a site owner or operator from being so.

The HSE has confirmed that they consider that Sub-Deduct Arrangements would normally be subject to the GSMR and would therefore require an HSE accepted safety case unless an exemption had been granted from the HSE (please see **Annex 4** for further details). A site owner or operator would be required to meet this criteria if they were a relevant person under the Order.

Indications of site owner or operator responsibility

We note that the survey results set out in **Annex 2** indicate that only approximately 42 site owners or operators appear to have pro-actively assumed responsibility for the maintenance of Sub-Deduct Arrangements either as a relevant person or as a GT.

It is our provisional view that a site owner or operator would need to have taken a specific decision to convey gas through a Sub-Deduct Arrangement under the Order or as a GT, given the legal requirements to follow the Order and the GSMR. However, there may be situations where the site owner or operator could be assumed to have taken responsibility through carrying out maintenance or similar activities on the Sub-Deduct arrangement.

GT as the responsible party – NGG

As set out in the background section above, BG had a statutory monopoly on both the installation of gas pipes and the supply of gas during the period when the existing Sub-Deduct Arrangements were built. We consider it likely, unless there is substantial evidence to suggest otherwise, that Sub-Deduct Arrangements were designed, installed, tested and commissioned by BG. We expect that BG would have held detailed records of those assets when they were installed.

We have not seen any evidence to date indicating that Sub-Deduct Arrangement asset records were passed to IDNs during DN Sales; GTs; or non-GT relevant persons to enable them to safely convey natural gas.

Additionally, we have not seen any agreements or documentation that transfers the ownership of or responsibility for Sub-Deduct Arrangement assets installed by BG to a third party (such as the IDNs during DN Sales or site owners or operators).

Under GT Standard Licence Condition (“SLC”) 29, a licensee shall not dispose of or relinquish operational control over any transportation asset¹⁰ unless the licensee has given notice to the Authority of its intention to do so.

We have not received notice under SLC 29 regarding the transfer to a third party of any Sub-Deduct Arrangement assets built by BG.

In **Annex 5** we set out further analysis of some of the issues and practical implications of our considerations.

⁹ Paragraph 1.8, section G, UNC provides for the co-existence of and clear differentiation between ‘Non-System’ (relevant person conveyance) and ‘System’ (GT conveyance) Sub-Deduct Arrangements.

¹⁰ “transportation asset” means any part of the licensee’s pipe-line system or any part of any facility being one required for the proper performance of its duty under Section 9(1) of the Gas Act

We invite respondents to provide any evidence that suggests otherwise which we will consider. Such documentary evidence may include:

- Sub-deduct agreements whereby BG transferred the ownership of, or maintenance responsibility for, Sub-Deduct Arrangements to a third party; or
- Evidence of third parties assuming legal responsibility for particular Sub-Deduct Arrangements.
- Evidence of Sub-Deduct Arrangements being built by parties other than BG.

This evidence could include sale and purchase agreements or other relevant documentation during DN Sales.

Mechanism for additional GDPCR1 allowed revenue

If NGG or the GDNs assume responsibility for Sub-Deduct Arrangements going forward, they may incur additional costs in assessing the risks and liabilities presented by these networks that may have accrued over the years of undefined responsibility. They may wish to commence an efficient programme of mitigation measures to reduce those risks.

Subject to consideration of responses to this consultation, we do not consider that commencement of such risk mitigation measures should be delayed until the implementation of the next RIIO-GD1 price control, due to take effect in April 2013.

Once a decision has been taken and if the additional costs of responsibility are material in the light of total allowed revenues to the party concerned, we would consider applications for additional allowed revenues under GDPCR1 including efficiently incurred risk mitigation measures on Sub-Deduct Arrangements. We may consider a logging up mechanism for this purpose.

Views invited

We invite your views on our provisional position set out above.

- **Do you agree with our provisional position?**
- **Please provide reasons. Are there any other considerations that ought to be taken into account before we reach a decision?**
- **Please provide any relevant documentary evidence to support your views**

Next steps

We would like to hear the views of any interested parties on the issues set out in this open letter consultation. We would especially welcome responses from customers, suppliers and shippers as well as network operators.

We would welcome written responses to this open letter consultation on or before **6 May 2011** to:

Steve Brown,
Technical Adviser
Smarter Grids & Governance
Ofgem
9 Millbank
London
SW1P 3GE

Or by email to: steve.brown@ofgem.gov.uk

All responses will be published on Ofgem's website and held in the Research and Information Centre. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so that they can be placed easily on the Ofgem website.¹¹

Following closure of this open letter consultation and careful consideration of respondents' views, we intend to publish a letter setting out our decision by end May 2011.

If you wish to discuss any aspect of this letter, please contact Steve Brown on 020 7901 7292.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Rachel Fletcher', written over a light grey rectangular background.

Rachel Fletcher
Partner, Distribution
For and on behalf of the Authority

¹¹ We would not wish to discourage receiving responses in any form.

Annex 1

Extract from The Gas (Exemptions) Order 2011

Legacy arrangements for secondary metering

8.—(1) A person (“the relevant person”) is an exempt transporter when conveying gas to premises (“the relevant premises”) where—

(a) that gas is conveyed for the purpose of its supply to the relevant premises by a gas supplier (“the relevant supplier”);

(b) that gas was conveyed to the relevant person at premises other than the relevant premises (“the first premises”) by a gas transporter;

(c) the relevant person is supplied with gas at the first premises by a gas supplier;

(d) immediately before 1st March 1996—

(i) the relevant person conveyed gas to the relevant premises from the first premises for the purpose of its supply to the relevant premises by a public gas supplier or the holder of an authorisation under section 8 of the Act,

(ii) that gas was conveyed to the first premises by a public gas supplier, and

(iii) the relevant person was supplied with gas at the first premises by a public gas supplier or the holder of an authorisation under section 8 of the Act; and

(e) the relevant person complies with the conditions set out in paragraph (2).

(2) The conditions mentioned in paragraph (1)(e) are—

(a) that the relevant person refrains from any action intended to impede the choice of gas supplier by the owner or occupier of the relevant premises;

(b) that the relevant person complies, as soon as is reasonably practicable, with any direction given by the Authority—

(i) requiring the relevant person to facilitate the exercise by the relevant supplier of functions specified in the direction that would be functions of the relevant supplier under Schedule 2B to the Act (the Gas Code)⁽⁴⁾ in relation to the relevant premises if gas conveyed to those premises were conveyed by a gas transporter;

(ii) requiring the relevant person to comply with requirements specified in the direction in relation to the relevant premises that would, if the relevant person were a gas transporter, be requirements of the relevant person by virtue of Schedule 2B to the Act.

(3) But the relevant person does not cease to be an exempt transporter by failing to comply with a direction given by the Authority if the Authority did not consult the relevant person and the Health and Safety Executive on the direction before it was given.

Annex 2

Summary of GDPCR1 Surveys

The surveys covered a total of 1752 sites. To date, 99 sites have yet to be surveyed due to difficulties with gaining access. A further 459 sites were assessed as no longer necessitating Sub-Deduct Arrangements.

The results from the surveys of the remaining 1194 sites are summarised below:

Sub-Deduct Arrangements likely to have been chosen to be controlled by a relevant person under the Order or a GT	Sub-Deduct Arrangements unlikely to be actively controlled by a relevant person under the Order or a GT
42 Sites	1152 Sites
46 Primary Meters	1173 Primary Meters
224 Secondary Meters	2217 Secondary Meters
£9m Approx. re-engineering cost	£35m Approx. re-engineering cost

The table shows that the cost of re-engineering the Sub-Deduct Arrangements at the remaining 1194 surveyed sites (assuming that this were possible) is estimated to be £44m.

The data from the surveys indicates that due to some individual site circumstances, re-engineering may, in exceptional circumstances, neither be economically justified nor practical.

Annex 3

Relevant UNC provisions for Sub-Deduct Arrangements¹²

UNC Section G paragraph 1.8.1(d) states:

the gas conveyed in a Sub-deduct Arrangement may be conveyed:

(i) by a person (other than the Transporter) exempted pursuant to but subject to the conditions of any order under Section 6A of the Act granting exemption from paragraph (a) of Section 5(1) of the Act, in which case (irrespective of whether such conditions are complied with) the Sub-deduct Arrangement does not form part of a System;

(ii) by the Transporter, in which case the Sub-deduct Arrangement forms a part of a System;

UNC Section G paragraph 1.8.2 states:

Where a Sub-deduct Arrangement forms part of a System:

(a) each of the points in the Sub-deduct Arrangement at which gas is offtaken from the Total System for the purposes of supply to premises is a Supply Meter Point; and

(b) the point of offtake for each such Supply Meter Point shall be the point determined as the point of offtake in accordance with Section J3.7.1, and title and risk in gas offtaken from the Total System shall pass accordingly.

UNC Section G paragraph 1.8.3 states:

Where a Sub-deduct Arrangement does not form part of a System:

(a) for the further purposes of this paragraph 1.8, the Primary Supply Meter Point shall be treated (for the purposes of the Code, but subject to paragraphs (b) and (d)) as being a number of Supply Meter Points each of which shall be associated with one relevant meter and so identified (by a unique reference) in the Supply Point Register;

(b) the point of offtake in respect of each such Supply Meter Point shall be the point of offtake in accordance with Section J3.7.1 in respect of the Primary Supply Meter Point, and title and risk in gas offtaken from the Total System shall pass accordingly; and (for the purposes of Section J) the provisions of paragraph 1.8.5 and of Section G shall have effect for the purposes of determining which Users are offtaking gas from the Total System at that point, and in what proportions;

(c) none of such Supply Meter Points shall be treated as being a Shared Supply Meter Point; and

¹² <http://www.gasgovernance.co.uk/TPD>

(d) no provision of this paragraph 1.8, nor the fact that the Supply Point Register records details in respect of the Supply Meter Points which are (pursuant to paragraph (a)) treated as existing at the Primary Supply Meter Point, shall be taken to imply that any User has arranged with the Transporter for the conveyance of gas beyond the Primary Supply Meter Point.

UNC Section G paragraph 1.8.6 states:

In the case of a Sub-deduct Arrangement which forms part of a System, the Transporter reserves the right at its cost to undertake works to extend the relevant System by laying additional pipes so as to cause any Sub-deduct Supply Meter Point to cease to be comprised in the relevant Sub-deduct Arrangement; provided that the Transporter will not undertake such works without first obtaining the consent (not to be unreasonably withheld) of the Registered User of each Supply Point affected thereby and in undertaking such works will endeavour to minimise the disruption to the offtake of gas from the relevant System at such Supply Points (but subject thereto will not be in breach of its obligation to make gas available for offtake from the Total System by reason of the carrying out of such works).

Annex 4

HSE views

The Gas Safety (Management) Regulations 1996 (GSMR) define the end of a GSMR network as being at the outlet of the emergency control. There can be more than one emergency control valve (ECV) and the designation of which one is the emergency control in any particular situation will rest on a number of factors, but primarily on intended use by a consumer of gas. Sub-Deduct Arrangements can be isolated by turning the gas supply off at the primary meter's (ECV) but an ECV is also provided at the inlet to each secondary sub-deduct meter.

We have sought the views of the Health & Safety Executive (HSE) on the regulatory status of the Sub-Deduct Arrangements. They have advised us that they consider Sub-Deduct Arrangements are networks as defined in the GSMR. They consider that for such networks:

- a safety case is required; or
- the duty holder should apply for an exemption; or
- the network should be adopted by a conveyer with an accepted safety case.

Similarly, they consider that Sub-Deduct Arrangements are subject to the Pipeline Safety Regulations 1996 (PSR) as the emergency control defining the end of the GSMR network also marks the end of the application of the PSR.

The HSE has indicated that where a Sub-Deduct Arrangement conveys gas to non-domestic consumers only, and it can be shown that there is common access by all of those consumers at all times to an ECV at the primary meter, only then can that ECV be considered to be the end of the network.

Annex 5

Further analysis¹³ on Sub-Deduct Arrangements

Further considerations in relation to Ofgem's provisional view that NGG has responsibility on the basis that ownership of Sub-Deduct Arrangements passed to NGG as relevant statutory successor to BG.

This would result in immediate certainty with regard to responsibility for all Sub-Deduct Arrangements in GB.

It would mitigate the risks associated with the Sub-Deduct Arrangements and encourage NGG to develop efficient, economical engineering and administration solutions (using existing UNC definitions) to those risks.

There may be circumstances where a site owner or operator may have assumed some responsibility for Sub-Deduct Arrangements through carrying out maintenance or similar activities on the pipework or relevant assets. NGG would need to investigate the circumstances of each such individual case and establish whether the site owner or operator should take responsibility for the relevant Sub-Deduct Arrangement.

There could potentially be logistical and geographical challenges to NGG in discharging their duties and responsibilities throughout GB.

However, in such a situation, agreements could potentially be entered into with other third parties to manage these responsibilities on their behalf. Similar agreements were put in place between NGG and the IDNs at the time of DN sales such as the System Operator Managed Services Agreement ("SOMSA") and the Front Office Managed Services Agreement ("FOMSA").

Under such an arrangement, subject to necessary bi-lateral agreements, NGG could potentially consider the eventual transfer of the assets of relevant Sub-Deduct arrangements to IDNs. Co-operation from the IDNs would be necessary to achieve that goal.

Further considerations in relation to GDPCR1 solution - Voluntary adoption of Sub-Deduct Arrangements by NGG and the other GDNs

The conditional adoption route would likely require up-front additional revenue to be allowed or incurred on the repair or replacement of third parties' assets that at the time of those works would not be the accepted responsibility of the GDNs.

¹³ These considerations are not intended to be exhaustive and we welcome views on other considerations that respondents consider to be relevant.

There is also a risk that by making adoption conditional upon re-engineering or replacement, the GDNs may follow an excessively precautionary approach and seek allowed revenue for works on otherwise sound and low risk Sub-Deduct Arrangements.

Responsibility for continuity of supply, maintenance, repair and renewal would remain uncertain during the GDNs' negotiations with site owners or operators, risk assessment, re-engineering or replacement works and adoption processes.

There could also be difficulties in the adoption process that may lead to renewed or re-engineered assets not being adopted.

In view of the uncertainties regarding responsibility pre-adoption, a mechanism could be agreed to encourage the GDNs to complete the works and adoption processes in a timely manner.

Sub-Deduct Arrangements normally exist on private land and therefore GDNs would require access to that land to effect maintenance, repair or replacement of those Sub-Deduct Arrangements.

Such land might be owned by third parties who have no interest or involvement in the Sub-Deduct Arrangements. If such land owners did not wish to accept ownership or responsibility for the Sub-Deduct Arrangements, it seems unlikely they would frustrate efforts by a GT to maintain them however a GT may be authorised by the Secretary of State, after consultation with the Authority, to purchase land compulsorily or acquire any right over land.¹⁴

If Sub-Deduct Arrangements are not defined to be the responsibility of a GT, the powers to acquire rights over land or maintain the Sub-Deduct Arrangement may not be capable of being exercised because adoption of the assets would only occur after any necessary risk assessment or mitigation works had been undertaken.

There is a risk that GDNs may not be able to gain the consent of site owners or operators to undertake the necessary risk assessment or mitigation measures.

A GT has the power to disconnect a connection if the Sub-Deduct Arrangement might endanger the public.¹⁵ However this could leave the individual customers of both primary and secondary meters without a gas supply until suitable arrangements had been made to restore the supply. It is not clear who would be responsible for this activity.

The surveys have indicated that it may not be practical or financially justifiable to re-engineer some Sub-Deduct Arrangements. Since adoption would be conditional upon re-engineering by the GDN, this could mean the responsibility for and integrity of some Sub-Deduct Arrangements may remain unresolved.

This could result in the creation of three categories of Sub-Deduct Arrangements (GDN adopted; conveyance by relevant person; and non-adopted) and therefore could be necessary for additional administrative arrangements to be put in place to manage this.

¹⁴ Under Schedule 3 of the Gas Act 1986

¹⁵ Under Section 10 (9) of the Gas Act 1986

Further considerations in relation to the site owner or operator having responsibility for Sub-Deduct Arrangements

If individual site owners or operators were deemed to be responsible for the continuity of supply, maintenance, repair and renewal of Sub-Deduct Arrangements downstream of the primary meter it would be predicated on the assumption that at some point, responsibility for Sub-Deduct Arrangements was bi-laterally transferred to site owners or operators and that there is evidence that such responsibility was accepted by site owners or operators.

The GDP-CR1 survey results indicated that approximately 96% of site owners or operators or landowners may:

- be unaware of the existence, extent or condition of Sub-Deduct Arrangements;
- not possess the necessary expertise, knowledge and resources to maintain them;
- be unaware of the existence of the Order or its conditions; or
- be unaware of the potential responsibility for the maintenance of the pipes or the conveyance of gas through them under the Order or other regulations.

If responsibility for all Sub-Deduct Arrangements lay with the site owner or operator it would rest with over 1150 site owners or operators who may not be well equipped to manage them.

Discussions with HSE indicated that if site owners or operators were responsible for Sub-Deduct Arrangements, site owners or operators may each be likely to be required to prepare a safety case under the Gas Safety (Management) Regulations 1996. This could be a significant technical and administrative burden on site owners or operators and the HSE.

A GT has the power to disconnect a connection if the Sub-Deduct Arrangement might endanger the public.¹⁶ This could leave individual customers of the primary and secondary meters without a gas supply until suitable arrangements had been made by the site owner or operator to repair and restore the supply.

A site owner or operator may choose to cease operating the Sub-Deduct Arrangement leaving some or all customers connected to it without access to a gas supply.

Customers supplied via Sub-Deduct Arrangements may therefore not benefit from the same level of security of supply as customers of conventional connections and thus could be unduly disadvantaged.

¹⁶ Under Section 10 (9) of the Gas Act 1986