

Health and Safety Executive
Hazards & Technical Policy Division
Rose Court
2 Southwark Bridge
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Chris Chapman
Ofgem
9 Millbank
London SW1P 3GE

Dear Chris,

OFGEM'S THREE-YEAR STRATEGY 2004-7 (STAKEHOLDER CONSULTATION)

Following receipt of a letter from Sir John Mogg to Timothy Walker dated 1st September, I am writing on behalf of the Health and Safety Executive (HSE) with regards to views on the forthcoming three-year strategy.

HSE appreciates the opportunity to comment on Ofgem's future strategy and is keen to maintain a good working relationship between the two bodies. This is essential as HSE have an interest in the effects of Ofgem's key aims to maintain competition, regulate monopoly businesses and secure Britain's gas and electricity supplies. It was therefore particularly pleasing that Ofgem included a reference to working with HSE in order to address safety issues in the current strategy.

As competition in the wholesale electricity market is developed, HSE will continue to liaise with Ofgem over the introduction of BETTA as this will result in a unique arrangement between the system operator and transmission owners and this interface will have an effect on asset management and maintenance and the application of safety rules and instructions. Any changes to the Balancing and Settlement Code and the Connection and Use of System Code will also need to be communicated and accepted by industry. Despite the recent extension to the implementation date to 2005, BETTA will no doubt remain a priority project for Ofgem.

Competition initiatives in industry will also continue to be closely monitored by HSE, which has a strong interest in the liberalisation of metering and the competition in connections in both the gas and electricity industries. As access is opened up to more

companies clear guidelines are required with regards to safety, accountability and the extent of their responsibilities. HSE expect Ofgem to take full account of independent risk assessments and their recommendations in the above areas, such as that currently being carried out in relation to gas meter unbundling. Indeed it is noted in the government's Energy White Paper published earlier this year, that Ofgem are also required to carry out regulatory impact assessments on all new significant policy initiatives. HSE would like to see Ofgem address safety issues at an early stage within such assessments.

Ofgem's role of regulating the monopoly businesses is also of interest to HSE as implementation of the distribution price control impacts the level of companies' investment in the networks and is the opportunity for companies to detail future capital expenditure requirements. Both of these areas may have an effect of the levels of safety within the industry as assets and equipment are replaced or upgraded. It is understood that operators are also able to submit proposals for expenditure relating to safety outside of the review if an unexpected risk arises.

A major structural challenge in the gas industry is the potential sale by Transco of some of their eight regional distribution networks to independent operators. HSE has been working closely with Transco and Ofgem looking at the safety implications of these proposals, particularly in relation to changes to Transco's safety case as well as the requirement for safety cases from any future operators and we welcome continued dialogue on this important development. Public safety issues such as security of supply, emergency service provision, and the current mains replacement programme will be of particular interest.

The growth of distributed generation in the electrical industry presents a technological challenge to the industry as the number of companies in the market increases accompanied by an increase in the number of connections to networks. The work of the Distributed Generation Co-ordination Group and the Technical Steering Group will therefore remain an important priority for Ofgem. This is one area where HSE believes that the system governing connection to networks and the location and identification of lines and equipment will be important to aid future operational maintenance. The same is also true of underground cables, which need to be identified prior to streetworks. The inclusion of such a requirement is being assessed as part of the current revision of the Electricity at Work Regulations 1989. This would align the legislation with the New Roads and Street Works Act 1991, which includes the keeping of records. Ofgem has also indicated that they would like to develop a system for identifying the presence of such cables similar to that adopted in the gas industry and HSE are keen to work with Ofgem in this area.

In securing future gas and electricity supplies HSE agree that Ofgem's role in the work of the Joint Energy Security of Supply group is key and this will need to be kept as a high priority given the implications for the gas industry in the short to medium term. Security of supply is of increasing concern as gas stocks on the UK continental shelf deplete and we have to rely increasingly on gas imports. Issues such as gas quality and storage capacity are areas where cross government working will be important.

These are topics within the current document over which HSE currently liaises and works with Ofgem and I am sure these issues will be included and addressed in the new three year strategy. HSE looks forward to its publication and will respond at the appropriate time.

Yours sincerely,

Mike Leppard

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