

# **SBGI VIEWS ON OFGEM STRATEGY 2004–7**

## **1. Role and Focus of SBGI**

The SBGI is the trade association for the on-shore gas industry. For most of its nearly 100 year history its focus has been primarily on all parts of the gas industry other than what until liberalisation was represented by the British Gas monopoly business. Now most of the successor companies - including British Gas, Transco, Fulcrum Connections and Advantica – and Powergen, BP Gas Marketing, parts of other new entrants to the gas market as suppliers/shippers and independent gas transporters like Connect Utilities and the Gas Transportation Company are also in membership. The SBGI therefore currently represents a greater proportion of the industry than it has ever done before.

The SBGI does not, however, seek to compete with or duplicate the efforts of other bodies. Regulatory issues specifically relating to suppliers and shippers are dealt with by The Gas Forum and gas transporter issues by the Association of Independent Gas Transporters. The SBGI's interest and involvement in Ofgem's work is therefore primarily focused on the maintenance, development and operation of the gas transmission and distribution network, gas metering and gas utilisation (particularly domestic). Recent Ofgem consultations to which the SBGI has responded include 'Competition in one-off connections' and 'National Grid Transco – Potential sale of network distribution businesses'. (The SBGI also responds to relevant DTI consultations – eg on Draft Social and Environmental Guidance to GEMA.)

The SBGI's current priority policy areas are:

- The development and implementation of the Government's energy policy, particularly with regard to security of supply and environmental objectives
- The delivery of relevant aspects of the UK Climate Change Policy - improving energy efficiency, realising the environmental benefits of natural gas etc
- The delivery of relevant aspects of the UK Fuel Poverty Strategy, including extending the gas network where appropriate
- The development of the UK market for microCHP
- The addressing of concerns regarding growing skills shortages in the gas industry.

## **2. Ofgem's Three Year Strategy 2004-7**

The SBGI's views on the four issues regarding Ofgem's strategy raised in Sir John Mogg's letter of 1 September 2003 can be briefly summarised as follows:

### **a) Key challenges facing the industry**

- Security of gas supply – particularly ensuring adequate investment in new importation facilities (interconnectors, terminals and LNG facilities), storage and transmission pipelines
- Other aspects of energy policy – ensuring that the gas industry's contribution to the achievement of the Government's objectives, especially regarding climate change and fuel poverty, is managed appropriately
- Potential sale of Transco Distribution Networks – ensuring all likely implications are identified and addressed
- Distributed power – ensuring electricity networks are prepared to accept more locally generated electricity and overcoming other potential barriers to the development of the market for microCHP

- Unbundling of meters – ensuring the market for metering services operates effectively and that customer service is maintained
- Skills shortages – ensuring that the growing skills shortages are identified and that timely and effective action is taken to address them.

**b) Action to be taken by GEMA in response to these challenges**

The Authority should make appropriate use of its powers, after wide consultation with its stakeholders, to ensure that the above issues are effectively addressed by the companies it regulates.

**c) New areas of work**

The Authority needs to identify the implications of the growth in the market for natural gas vehicles which is expected in the coming years (in the light, for example, of the EU Diversity Directive's target of road transport fuel coming from non-petroleum sources by 2020) and ensure that there are no barriers to its development.

**d) Existing work that could be given greater or lesser priority or even stopped**

Competition in connections - the priority for Ofgem's work in this area (including related issues re NRSWA etc) should be higher, as it offers real scope for improving the service to customers and is key to delivering competition in other services (eg metering).