

## **Gas connections workshop – 15 July 2004**

Over twenty delegates attended the gas connections workshop. These delegates came from all aspects of the gas industry including GTs, UIPs and shippers and suppliers.

The morning session was made up of 4 presentations

- Ofgem setting the scene
- BGT giving a shippers perspective
- EGS giving an UIP perspective and
- NGT giving their perspective

The afternoon session saw the delegates split into two equally representative workgroups. Each group considered a series of questions for discussion. The outcomes of these discussions are set out below.

## Questions

- 1. There was no consensus from respondents to the April 2004 document on what type of licence condition should be imposed. The licence condition will have a supporting document.**

- a. What change control mechanism is required for that supporting document?

Example: RIGS (special condition 36) or the network code (standard condition 9)

- Attendees agreed on a need for Ofgem to “own” whatever documentation was produced to support the actual licence condition
- No significant changes should be made without consultation and Ofgem approval
- Anybody should be able to propose change.
- A three tier structure was suggested – licence condition, supporting document containing details of timelines and payments to be made, exclusions policy etc. and separate business rules regarding communication formats etc.
- There should be a minimum amount of difference between the third tiers of each DN to reduce “chaos”.
- Referral to the competition commission post Authority decision may be an option under the Energy Bill.

- 2. The majority of respondents to the April 2004 consultation agreed Transco was dominant in the domestic sector. However, there were a variety of views on the market definitions and where there is competition/ scope for competition.**

**Please define the market.**

Examples: Is Transco’s proposed definition acceptable or should it be based on the load/ value of the job or other?

- There was discussion of different ways to band the market included consideration of using meter size, value of quotation and load. Value of quotation was discarded on the grounds that an expensive quotation was not necessarily a large connection.
- Five categories were identified as potential market areas: domestic, small commercial, medium commercial and large commercial and multiples/ new housing.
- It would be necessary to identify appropriate loads to link within these bandings.
- It was agreed that effective competition existed in the market for multiples/ new housing comprising >6 units.
- Statutory domestic connections within 23 metres might be a viable distinct group.

- 3. All respondents felt there should be a standard for quotation provision and the majority of respondents felt there should be standards in place for substantial**

**and final completion, Point of Connection information, design approval and keeping an appointment.**

**Define**

- a. how many standards there should be
- b. which areas the standards should apply to

Please note: There is already a GSOS for keeping an appointment for domestic customers is anything else needed?

- Attendees in one of the workgroups made clear their requirement for appropriate standards to be in place for any service that they required from Transco, these included those already covered in the Order.
- The other group felt that output based standards would be appropriate with standards in place for producing a quotation, keeping an appointment and completing the job. For UIPs standards would be required for point of connection information and design approval.
- Transco was keen to only have standards where there was a genuine requirement
- EGS made the point that they required an incentive to be placed on Transco in relation to acknowledgements due to numerous delays caused by Transco mislaying faxes.
- It was felt that agreement was also required on when a standard had actually been met to avoid dispute.
- The issue of RGMA impact on completion was raised.

**4. All respondents agreed there should be automatic and job specific payments for failure.**

**Define**

- a. whether there should be daily incentives or staggered periods of incentive for a DN when it fails to meet a standard
- b. whether the payments should vary between market sector, job value or be the same for everyone
- c. what sort of capping mechanism should be in place e.g. value of job
- d. who should receive the payments.

- One workgroup agreed that any incentives should be designed to ensure that there was incentive on Transco to deal with the most delayed jobs first.
- One workgroup felt that as the liability payments are intended to provide an incentive rather than compensation it would be appropriate for all customers to receive the same payments under each standard. The other workgroup disagreed believing that payments should vary depending on market segment.
- Transco believes some form of capping mechanism is appropriate. Attendees considered that poor performance should result in a harsh penalty and that a cap would dilute that principle.

- Attendees in one workgroup believed firmly that liability payments should be made to the party requesting the service from Transco.
- The other workgroup thought it essential to distinguish between the two types of customer (the end user or consumer and the contractor or customer) before deciding who we were trying to compensate.
- The possibility of introducing an IIP type process was also considered. The principal disadvantage identified was the fact that IIP did not necessarily result in payments to affected customers.

## **5. Define what the 5 most important exemptions/exclusions are**

Examples are red routes, traffic sensitive streets and the GSOS SI exclusions

- There was no overall consensus on the top 5. Several options were raised and supported by various parties.
- Option 1: have no exclusions at all. The timescales for the standards would be lengthened to allow for exclusions to be eliminated
- Option 2: have general overall exclusions similar to the ones which apply to the Gas (Standards of Performance) Regulations 2002 and then standard specific exclusions as appropriate. For example a specific exclusion for the quotation production standard.
- Option 3: the only exclusion should be customer request
- Option 4: jobs above 7 bar should be excluded. However, EGS felt that jobs above 7bar should not be excluded as Transco's performance here was poor. Transco felt this to be inappropriate since the work in question was not done by Fulcrum but by Transco asset. Ofgem's initial thought was that these jobs would not be included in the licence condition. However, if performance in this area was poor there might be grounds for considering some means of improving performance.
- Other issues raised included:
- Transco raised the issue of shaded bands on their digital records which indicate the existence of oil pipelines, HV circuits etc. which will delay works.
- Fulcrum suggested a regime based on statutory requirements such as NRSWA.
- The need for applicability of exclusions to be identified at an early stage in the quotation process and notified to the customer as part of the customer deferral process.
- EGS felt that the principal details of any exclusions should be in the supporting document to the licence condition.

## **6. The principles underpinning any accuracy audit will need to be discussed.**

### **Define**

- a. whether and why the current accuracy audit is beneficial

- b. who should bear the cost of an accuracy audit if one is required (Transco currently pays)

Please note the Order requires a sample of 36 quotations a quarter which is not statistically significant.

- It was generally agreed that the current independent audit was of little value or relevance to customers.
- One suggestion that a better alternative would be for Transco to simplify and improve the usability of its published charging statement in order to enable customers to audit their own quotations.
- Transco suggested that the results of its own extensive internal audit arrangements could be subject to some form of external audit.
- An alternative suggestion was that Ofgem should commission an extensive independent audit at Transco's cost.
- It was suggested that the overall quality of the process was more important than simply accuracy. For example the quotation may be accurate but be sent to the wrong address or customer.
- One workgroup felt the audit needed to involve the customer in the loop more than it does presently.
- The point was made that the MAM arrangements would increase the level of scrutiny required in the connections process

**7. The majority of respondents agreed there was a need for some sort of scheme or standard for accuracy.**

**Define**

- a. whether there should be a standard or a scheme for accuracy challenge
- b. whether the current system is working
- c. what the alternative should include

Please note that currently Transco has 5 days in which to accept fault and re-quote without penalty.

- There were comments that the current scheme is too slow and it is easier to simply ask for a requote.
- It was agreed that some form of accuracy challenge scheme or standard is required. In general attendees didn't mind whether there was a separate standard or a trigger in the quotation standard which kept the clock ticking until an accurate quotation was produced. The overall wish of attendees was to provide suitable incentive to provide an accurate quotation in a reasonable timescale.
- One workgroup agreed that it would be inappropriate for Transco to retain the ability to accept fault within five working days and requote without penalty.
- One workgroup agreed that a suitable definition of inaccuracy would be any error +/-5%. In addition errors amounting to a value of less than £50 would not trigger a payment. The other

group felt that agreement was required as to when a quotation was considered accurate. An example would be the quotation price was correct but it was sent to the wrong address.

- One workgroup suggested that the liability could be either standard fixed payment or reflect scale of percentage of error.

**8. Liquidated damages: Ofgem has limited regulatory oversight of siteworks. The siteworks contract is negotiated between the parties subject to interpretation by the courts.**

**Define**

- a. whether Ofgem should ensure a reasonable minimum level of protection for certain customers via a licence condition

Example: either domestic only or based on the level of choice/ ability to go elsewhere.

- Attendees were generally unhappy with Transco's current negotiating stance regarding the siteworks contract as customers had no option to go elsewhere. Attendees felt Ofgem should have some form of regulatory oversight of the terms of the siteworks contract. Ofgem felt it likely that its existing ability to investigate complaints about abuse of dominance etc. would already allow it to take action in respect of the terms of the contract if a complaint was made to Ofgem.
- One suggestion was that Transco should be required to submit the contract to Ofgem for formal approval.
- One workgroup supported Ofgem using the licence condition to require some minimum level of protection in the siteworks contract. However the group expressed concern over Ofgem's ability to enforce such a condition with any new DN owners. Transco raised concerns that setting a minimum might result in double jeopardy.
- Ofgem agreed to check the situation with the DN sales team.

**Additional questions/ Issues raised:**

It was agreed that it would now be appropriate for the interested parties to present proposals regarding the actual format of the standards and the associated liabilities. Ofgem agreed to request this information from the attendees of the workshop.