

## ***HSE Response to Ofgem on Interruptions RIA – July 2004***

### **Interruptions Arrangements Regulatory Impact Assessment**

1. This note provides HSE's response on the Interruptions Arrangements RIA published in 30<sup>th</sup> June 2004, and on which you invited comments.
2. Consistent with other comments we have provided on previous RIA's, we have limited our views to those aspects affecting or potentially affecting the safety and supply emergency prevention provisions of the Gas Safety Management Regulations (GSMR) 1996. Hence our comments are somewhat brief, as we found that the main focus of the RIA options was on the commercial arrangements for network operators to enter into Interruption contracts, and reforming current aspects felt to be of concern such as lack of flexibility and investment signals.
3. HSE's main focus under GSMR is prevention of a gas supply emergency – this is embodied in Paragraph 16 of Schedule 1 to GSMR that requires dutyholder network operators to demonstrate in safety cases that they have “adequate arrangements to minimise the risk of a supply emergency”. Part of these arrangements are likely to include interrupting gas flow when necessary, for example to manage a severe network constraint, or managing the demand / availability balance in emergency situations. Our main interest here is **ensuring that interruption necessary to prevent a supply emergency can be achieved effectively** when called for – whatever tendering or charging model is proposed for entering interruptible contracts in the first place, the model must not constrain network operators from exercising their powers under GSMR Regulation 6(4) to direct a person not to consume gas in order to prevent a supply emergency. We will continue to scrutinise safety cases to ensure network operator arrangements meet the GSMR criteria.
4. In its analysis of the various options presented, Ofgem has commented on the ‘security of supply’ issues associated with each – though in most cases the consideration goes much wider than HSE's main interest under GSMR, for example extending to potential energy supply shortages if gas-fired power stations are required to be interrupted – these are weighty matters, but they are not part of HSE's remit. Consequently, we do not express a preference for one option over the others.
5. One specific issue that is raised is in relation to the level of overall interruptible capacity, and the suggestion that reducing interruptible capacity could have a negative effect. If the proposed regime led to such a dramatic reduction in the ability to reduce gas consumption to control the stages that could lead to a supply emergency, we would indeed be concerned. But assuming that a level of interruptible capacity remains, we agree that a regime

that improves the clarity of interruptible options would be welcome. Beyond that, we emphasise again that our central issue is to ensure that when interruption is called for, it actually happens and that gas flow is reduced in a timely manner.

We trust these comments are helpful.

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