

**Michael Fews**

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**Subject:** FW: Section 7(5) and 8(4) of the Gas Act 1986-Notice issued by Ofgem

-----Original Message-----

**From:** Neil Brookes [mailto:Neil.Brookes@connectutilities.co.uk]**Sent:** 24 September 2004 16:41**To:** Michael Fews**Subject:** Section 7(5) and 8(4) of the Gas Act 1986-Notice issued by Ofgem

24th September 2004

M.Fews  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Confidential

Dear Michael,

Section 7(5) and 8(4) of the Gas Act 1986-Notice issued by Ofgem

Thank you for sending the above notice setting out details relating to the possible grant of further transportation licences. QPL would like to object to the above and this letter sets out our reasoning.

Transco entered into contracts with its competitor Gas Transporters in 1995 and have, since then offered call out and, since they are then already on site, full repair services. They now wish to step back from providing a repair service we understand.

QPL is concerned that the withdrawal of this service will pass costs on to IGTs which they cannot ever hope to meet. It is a peculiar feature of the Transco contract that a wide geographical spread is required, with sufficient capacity to respond within safe timescales.

The costs for Transco and for DNS in providing repair services will be minimal given two things 1. they are already on site, have located the main-implying that the cost of repair is marginal, given that the key cost is mobilisation in the first place 2. Transco and the DNS have a wide spread of other work in the area-meaning that costs can be legitimately spread across several activities. To the extent that Transco/DNS invest in new assets (reinforcement/10m free pipe) they are competitors to IGTs. To the extent that they install pipes they are competitors to IGTs. Transco's/the DNS's position is they should not be forced to offer such a service to their competitors. They have claimed that the work is contestable.

Ofgem should explore this claim further. Safety is a critical issue for all stakeholders. What if these were not contestable services? What if Ofgem pushed ahead with the proposed changes without having taken a serious look at this

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issue? We believe that it is critical that an effective emergency repair service remains in place at reasonable cost into the future under the new DN ownership arrangements. As a condition of sale provision of a fairly priced emergency repair service should be made a licence obligation.

We would take a robust view of any attempt to force something so critical to our business through without a genuine look at these issues. We would also take a robust view of any step which means that Gas Transporters are prevented from being able to reflect in their charges the costs of providing this service separately. We are not confident that Ofgem is willing to devote the time to looking at this issue however. Neither are we confident that Ofgem will step in should Transco or DNs seek to extract monopoly rents from the activity. For Transco and the DNs this represents a God send opportunity to clear the market of competitors. We do not think Ofgem should act as hand-maiden in that process.

Quadrant Pipelines Limited

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