



1st Floor
3 Grove Place
Bedford
MK40 3JJ

29th September 2004

Sonia Brown
Director, Transportation
Office of Gas and Electricity Markets
9 Millbank
London SW1P 3GE

[Electronic response sent to tracey.hunt@ofgem.gov.uk]

Dear Ms Brown,

NGT – Potential Sale of Gas Distribution Network Businesses

Initial thoughts on restructuring of Transco plc's Gas Transporter Licences

Consultation Document 215/04

The Gas Industry Safety Group (GISG) welcomes the opportunity to comment on certain of the matters raised in this consultation document. GISG is comprised of individual members drawn from a wide range of companies and organizations within the UK gas industry. It is perhaps timely here to stress that GISG's interest is solely safety and as an organization we have no commercial interest in the matters under consideration.

We appreciate that the consultation document is one of a number of steps towards preparing a formal consultation under Section 23 of the Gas Act which we note Ofgem intends to publish in November this year. It is hoped our comments below will be helpful to Ofgem in framing that consultation.

One of the keys to continued and improved gas safety in the UK is clarity with regard to the roles and responsibilities of the industry participants. While we have only limited interest in the actual process of effecting change in the licences of gas transporters, we are very concerned to ensure that any changes in the structure of the transportation sector, should NGT receive the necessary permissions to complete the sale of some of their gas distribution networks, does not lead to a degradation in the overall safety regime in the industry.

Gas Transporters of whatever tier within the national network operate within a regulatory framework which in terms of safety is framed not only by the Gas and Energy Acts, but also by a number of other measures. It is therefore vital that whatever changes are brought about within the licencing regime they do not introduce regulatory conflict for the industry. It would for example be quite unacceptable if licence modifications were to place duties on gas transporters which would not be acceptable to the HSE from the point of view of the safety cases of those transporters. Those Safety Cases of course also have to be accepted by the HSE before the

network sales can be completed. Little is said in the consultation document regarding how the Ofgem / HSE interface is to be managed and what if any impact the safety case submission process has on the indicative project timetable.

GISG considers it inappropriate to assume the current Transco Safety Case in its entirety can simply be transferred, with some cosmetic changes, to new operators of the Distribution Networks. The consultation document itself recognizes some of the interdependencies both between networks and networks and the NTS and it is therefore vital that all the currently integrated processes are reviewed, not only from a licencing point of view, to ensure no gaps are created in terms of gas safety for both consumers and the general public.

In the wider context the proposed structural changes are of such significance that it is vital the licencing regime is fully tested against not only the directly safety related licence conditions but also those conditions that may encourage behaviors which in the medium to longer term could prove detrimental to both consumer safety and the reputation of the UK gas industry.

----- : -----

Turning to some of the more specific safety related aspects of the key issues contained within Section 4 of the consultation document, we would offer the following comments:

Emergency services co-ordination.

We have noted that workgroups have discussed three key issues regarding emergency service co-ordination that arise with a change in ownership of some of the distribution networks.

- emergencies at Distribution Network boundaries,
- emergency services provision to IGTs
- emergency service provision from the Distribution Networks to the NTS.

DN boundaries.

In terms of the issues arising from the creation of 'GT boundaries' it is perhaps important to differentiate between gas emergencies arising in premises and those on the network itself. We understand that in the overwhelming number of cases of reported emergencies in premises the network operator will be able to be readily identified and therefore for all intents and purposes the initial response will be appropriate and provided by the correct DN GT. In the case of emergencies on the network itself the picture is often less clear, either in terms of the boundaries themselves or where for example there are 'parallel mains' owned and operated by different gas transporters.

GISG are of the view that it will be necessary to have a licence condition relating to emergencies within premises that ensures that whichever DN GT is notified of an incident and dispatches an engineer to it, is obliged to make safe the incident regardless of which network it transpires that the incident has actually occurred. With regard to emergencies on the network itself the position is more complex as engineering personnel could be put at risk if there is more than obligatory initial assessment included within the terms of any modified licence condition. As referred to elsewhere in the consultation document there is also a case for separation of emergency initial response services from those which could be provided on a more commercial basis.

First response emergency services to IGTs.

GISG would agree that there should be a licence obligation on all DN-GTs to continue to provide emergency services to all IGTs connected to their networks at a reasonable rate. Such 'obligated' services however should focus on:-

- responses to emergencies within individual premises
- repair of mains / services and restoration of supply to individual premises within the IGT area following a localized incident on the IGT network.
GISG is aware of concerns within the industry regarding this aspect of DN GTs future licence obligations. The introduction of any measures which expose consumers to delays in having their supplies restored must be avoided. This is especially the case for the elderly and other vulnerable consumers during periods of cold weather.
- the provision of support following a major loss of supply to all or a significant proportion of consumers on an IGT network. This could be seen as a separate element of emergency service response.

Any other services relating to incidents on the IGT network could be left to commercial arrangements provided there was no detrimental impact on consumer or public safety.

First response emergency services to NTS.

From a safety as well as practical point of view GISG would support Transco's suggestion that DN GTs to be obligated under the terms of their licences to provide first response emergency services to the NTS-GT at a reasonable rate. Incidents on the NTS are very infrequent and under the current arrangements the initial response is more than likely to be an assessment of the significance of the problem.

System operator managed services agreements.

With the exception of any NSAs which underpin safety and emergency response arrangements GISG can see no reason to regulate other agreements. Each GT including the NTS will have to set out such safety related arrangements in its Safety Case for acceptance by the HSE and it should not therefore become conditional on commercial arrangements.

Pipeline security standards.

There are clearly potential safety issues associated with the physical capacity of the pipeline system to deliver supplies to match demand on the network. This is perhaps most critical at the extremities of the network both in terms of the NTS and in terms of local networks, some of which will be IGT networks. GISG are of the view that the current '1 in 20' should be retained in both NTS and DN licences.

----- : -----

With regard to Specific licence conditions with safety related dimensions referenced within Section 5 of the consultation document we would offer the following comments

Standard Condition 5 – System Development Obligations

GISG supports Ofgem in proposing to retain the current condition which will apply to all GT licences including NTS.

Standard Condition 5A – Information to be Provided to the Designated Registrar of Pipes

GISG supports Ofgem in proposing to retain the current condition which will apply to all GT licences including NTS.

[See Condition 33]

Amended Standard Condition 6 – Emergency Services and Enquiry Service Obligations

Please see our comments above concerning emergency services.

It is clear that any licence condition covering this area needs to dovetail with the requirements of the Gas Safety (Management) Regulations and associated safety cases. GISG would not support any move away from the current single gas emergency number, irrespective of how emergency services are delivered or by whom.

Standard Condition 33 – Designated Registrar of Pipes

GISG supports Ofgem in proposing to retain the current condition which will apply to all GT licences including NTS.

With the increasing fragmentation of the network and the probable increase in the number of licenced GTs we consider the case for 'switching on' this condition has become much stronger. Should Ofgem be minded to bring this forward GISG would recommend that the Registrar should be an independent body and not one of the GTs, to ensure consistency of approach and maintenance of standards of recording etc. across networks. Such a service could be funded by all DN GTs, NTS and IGTs.

Special Condition 19 – Emergency Services to or on Behalf of Another Gas Transporter

GISG supports Ofgem in proposing to retain the current condition which will apply to all DN GT licences including NTS.

Please see our earlier comments regarding the provision of emergency services.

----- : -----

Section 6

Governance of technical standards

As part of a GT's safety case it needs to set out the standards to which it will build and operate its network. Any changes to standards applied to date will need to be justified at the time so as to ensure such changes do not lead to a less safe regime. GISG considers this issue to be more appropriately dealt with elsewhere in the regulatory framework.

GISG will be pleased to further discuss with Ofgem any of the points raised above. A hard copy of this response will be posted to you shortly.

Yours sincerely

David Wilson
Director
GISG