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*Promoting choice and  
value for all customers*

Your Ref:  
Our Ref:  
Direct Dial: 020 7901 4264  
Email: richard.clay@ofgem.gov.uk

17 December 2004

Dear Colleague,

## **Informal consultation on the gas distribution Regulatory Instructions and Guidance (RIGs)**

### **Introduction**

This letter sets out Ofgem's proposed amendments to the gas distribution Regulatory Instructions and Guidance (RIGs). These proposals should improve both the style and presentation of the RIGs. They should also capture changes in the gas transportation industry with the potential sale of up to four of Transco's distribution networks (DNs), which will have a significant impact on the way in which outputs are reported if the sale goes ahead.

The RIGs set out definitions and related instructions and guidance for collating and reporting information on outputs in accordance with the relevant licence conditions in Transco's gas transportation licence<sup>1</sup>. The initial draft version of the RIGs was published in November 2001, and subsequently updated in February 2002 and February 2004. It is intended that revised RIGs will be applicable from 1 April 2005.

### **Consultation on quality of service in gas distribution**

Ofgem published a consultation document on issues associated with quality of service in gas distribution in August 2004. This document provided an opportunity to stand back and assess the areas of quality of service that are important to customers and then look at whether they are appropriately incentivised through the existing regulatory framework.

Responses to the paper suggested that the current regulatory framework provided broadly satisfactory incentives on Transco to provide an appropriate quality of service to end customers.

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<sup>1</sup> In Transco's existing gas transportation licence, the relevant conditions are Special Conditions 35 and 36 (for Transmission and Distribution outputs respectively). Transco's licence conditions are currently being consulted upon as part of the network sales workstream, the effect of which is that the relevant conditions will become Special Condition D9 for reporting distribution outputs and Special Condition C16 for reporting transmission outputs.

Respondents also considered it was not appropriate to introduce additional incentives on output measures similar to the IIP incentives in electricity distribution. In addition, in its response to the document, Transco suggested that a more appropriate measure of quality of service may be derived from undertaking an overall customer satisfaction survey measuring customer satisfaction following interaction with Transco – and going forward other DN owners – covering areas such as inconvenience caused, communication and professionalism of the workforce.

In the light of the responses it does not appear appropriate to introduce financial incentives on outputs in this price control period. These issues are best left until the next price control review. However, Ofgem considers that there should be an additional requirement on Transco and other DN owners going forward to undertake quarterly customer surveys of customers who have experienced a non-contractual interruption to gas supply. This would enable Ofgem to understand better the areas of concern with the quality of the service delivered and will provide an objective and comparable measure of performance across different networks.

Transco already undertakes similar surveys at present but in the light of proposals for DN sales, Ofgem has proposed a change to the relevant output reporting licence condition requiring licensees to carry out surveys on a consistent basis. The consultation on amending to Transco's licence is a current consultation which closes on 23 December<sup>2</sup>.

### **Responding to this consultation**

Ofgem would welcome views from respondents on the proposed amendments to the RIGs. The appendix to this letter sets out a summary of the key amendments and an explanation of why they appear appropriate. Ofgem would welcome views in particular on section 3 (and the relevant appendices) as it is a new section in the RIGs. It would be helpful if respondents could also comment on whether it would be appropriate for the customer survey population to be stratified or weighted to reflect the different types of replacement and repair work a DN owner undertakes when restoring supplies to customers.

A formal consultation in accordance with the RIGs change mechanism set out in the licence will be published next February, with revised RIGs applicable from 1 April 2005. We welcome responses to this informal consultation by 21 January 2005. They should be sent to:

Richard Clay  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Email: [richard.clay@ofgem.gov.uk](mailto:richard.clay@ofgem.gov.uk)  
Fax: 020 7901 7406

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<sup>2</sup> See Ofgem consultation document 263/04, published on 25 November 2004

If you have any questions about the content of this letter or the RIGs please contact me on 020 7901 7264.

Yours sincerely,

Richard Clay  
**Senior Quality of Service Manager**

## **APPENDIX 1 Summary of changes to the RIGs**

The proposed amendments are a mixture of presentational changes and substantive changes. The substantive changes and some of the presentational changes are set out below, including where appropriate the reasons Ofgem has made the amendments::

### **Section 1: Introduction**

The main changes in the introduction reflect the new reporting requirements in respect of the customer survey, amendments to the interruptions reporting, and the separation of the RIGs into two sections to reflect outputs reporting for distribution (in Part A) and transmission (in Part B).

#### **Part A**

### **Section 2: Number and duration of non-contractual Network supply interruptions**

#### *Paragraph 2.4*

Ofgem has amended the number of interruptions to be recorded on a per 10,000 customer basis. This will make the number reported more intuitive.

#### *Paragraph 2.19 and 2.27 – interruption duration*

Ofgem has introduced a new definition of ‘interruption duration’ in paragraph 2.19. This reflects the results of work undertaken over the summer by our audit consultants Wilcock Consulting who were appointed to assess the accuracy of Transco’s systems for reporting interruptions information. The change to reporting the interruption duration only (i.e. rather than start and end times) should ensure that data is reported on a more accurate basis.

The associated guidance in paragraph 2.27 sets out that licensees are required to report interruption duration by using best endeavours to obtain the necessary information. This includes information on the start time obtained from the Emergency Service Engineer, the call centre and the customer.

#### *Paragraph 2.22 – interruption end*

This has been amended following advice from Wilcock Consulting that having more than was contributing to less accurate reporting. The end of an interruption is now when gas is made available to the ECV, except where there are considerations outside of a DN’s control.

### **Section 3: Customer satisfaction surveys**

This is a new section to reflect the additional requirement for licensees to undertake regular customer surveys. It sets out definitions and guidance for (i) undertaking the surveys; (ii) the format of the surveys; (iii) the survey frequency; and (iv) how the survey results should be calculated and reported.

## **Section 10: Reporting arrangements (distribution)**

This section has been updated to reflect amended reporting dates for licensees. It requires biannual reporting on interruptions for the regulatory year beginning 1 April 2005, whether annual reporting thereafter.

### **Part B**

The transmission outputs required under Special Condition 35 (which will become Special Condition C16) have been separated from the distribution outputs and put into this separate section. These outputs are unchanged.