

Policy Group

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Your reference:

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For the attention of Jenny Boothe

Dear Jenny,

PROPOSED RESTRUCTURING OF NATIONAL GRID TRANSCO'S METERING BUSINESS

The Health and Safety Executive (HSE) has carefully considered the recent Ofgem Consultation Document outlining the Proposed Restructuring of National Grid Transco's (NGT) Metering Business. The proposals represent another step in the liberalisation of the gas metering market.

HSE has closely followed these developments and took an active role in the Review of Gas Metering Arrangements (RGMA) project by participating in the Technical Issues Sub-Group (TISG). The work of this group led to the recommendation that all gas transporters and suppliers use Meter Asset Managers (MAM) that operate in accordance with the Gas Meter Asset Manager's Code of Practice (MAMCoP) and this was included within the RGMA framework when it was formally introduced in July 2004. The project also adopted the principle of placing the suppliers at the centre or 'hub' of metering arrangements and the establishment of effective governance arrangements for the market participants. It was necessary for Ofgem to modify some of the existing licence conditions issued under the Gas Act 1986 (as amended) to accommodate the developments arising from the implementation of RGMA.

As part of the project the Institute of Gas Engineers and Managers (IGEM) carried out a risk assessment on the introduction of competition into gas metering services. This included consideration of HSE's concerns over inclusion of the pressure regulator within meter ownership and the potential for DIY installation. The Risk Assessment Panel concluded that the regulator should be retained as part of meter ownership and that any DIY work should be discouraged by effective communication of legal obligations. There was also a strong recommendation for the MAMCoP to carry legal status and for MAMs to be registered and audited. Other recommendations included the introduction of new and revised industry standards and an emphasis be placed on training and competency. HSE accepted the panel's conclusions, but also noted that, on balance, the safety risks were expected to

increase as a result of RGMA, although these should have been mitigated by the adoption of all of the recommendations, which were intended to return the overall risk level to that of the original baseline or below.

All of the above issues have been previously discussed and agreed between the relevant parties. HSE believes that the same principle of risk mitigation should now be adopted with respect to NGT's business restructuring proposals. It is important that any potential gaps in the existing legal and health and safety framework are identified and addressed in the same manner and for the same reasons as before. This will neither affect Ofgem's aim to introduce and promote further competition in the gas metering industry nor reduce the opportunity for businesses to benefit from such competition, but will ensure that both industry employees and members of the public are not exposed to increased levels of risk to their safety.

The reorganisation of NGT's business will mean that most of the contracts between NGT and suppliers for both domestic and non-domestic consumers will be modified and transferred to the new NGT Metering body. It is the implications associated with the transfer of these contracts with respect to ownership and responsibility for the meter that are of specific interest and concern to HSE, for similar reasons to those originally expressed during development of RGMA. The Consultation Document points out that where meters are owned by a gas transporter or supplier and then lent or hired to a consumer, then the responsibility for maintaining the meter falls to the transporter or the supplier. NGT states that the maintenance obligations of the agreements between the transporter and the supplier will remain unchanged so that duties to guarantee that the meter is in a safe condition, accurately records usage and supplies gas at the correct pressure to appliances are maintained. This will ensure, in the case of these contracts, that most meters are installed and maintained safely if existing provisions are continued and the new NGT Metering body gains MAMCoP registration.

However, the same guarantee cannot be assured if, as highlighted in the Consultation Document, the responsibility and obligation for the meter falls to the consumer due to the strict legal interpretation of the Gas Act and a gas supplier does not automatically take on these responsibilities on his behalf. It appears that these responsibilities may default to the consumer in the case of the new NGT Metering body if a supplier or gas transporter does not own the meter and has contracted with an independent MAM. HSE therefore shares Ofgem's concern over consumers picking up responsibilities associated with maintaining meters in proper order and supports proposals to ensure that this does not occur.

Suppliers usually automatically arrange for meter installation by approved MAM's on behalf of the consumer without having first received a formal request. However, HSE is looking for an ~~expedient industry~~ led solution to the gaps identified and also agrees that it is important that a requirement is explored over the longer term to modify the gas supplier's licence, as ~~suggested~~ in the Consultation Document. This will ensure that the supplier carries the obligation, either themselves or by use of a registered MAM, for both installing and maintaining the meter on behalf of the

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consumer without the need for a formal request. Gas Act ownership responsibilities defaulting to the consumer will give no guarantee that meters are maintained in safe working order and the risk to people's health and safety will be increased unnecessarily. Industry has indicated that this would not occur in practice, but it is preferable that this possibility be disallowed legally.

HSE will work to ensure that as competition in the gas metering market grows that developments do not result in an increase in the level of risk to safety. HSE therefore continues to look for the recommendations of the IGEM risk assessment to be implemented such that registered and audited MAMs are employed to undertake the work within the framework of the MAMCoP.

Yours sincerely,

Mike Leppard
Policy adviser