

Policy Group

Transportation,  
Ofgem,  
9 Millbank,  
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Your reference: CD 45/05

Our reference:

12 April 2005

*Direct line:* 020 7717 6241

**For the attention of Helen Connolly**

Dear Helen

## **NATIONAL GRID TRANSCO – POTENTIAL SALE OF GAS DISTRIBUTION NETWORK BUSINESSES**

HSE has received and reviewed the latest Consultation Document relating to the potential sale of gas distribution network businesses by National Grid Transco (NGT). This deals with the proposals under Sections 8AA and 23 of the Gas Act 1986 (as amended) relating to changes to the existing licences and includes the proposed wording for the new and modified Standard Special Conditions of these licences.

Prior to this document being issued regular correspondence and meetings have taken place between Ofgem and HSE, which have helped to clarify the requirements of both parties. The discussions have focussed on the specific aspects affecting the operation of the safety case regime as described in the Gas Safety Management Regulations 1996. These Regulations apply to all gas conveyors and are primarily concerned with the safe management of the flow of gas in the network, including the prevention and management of supply emergencies, and the provision of an emergency service. The sale by Transco of four of its regional distribution networks (DN) represents a significant change to the safety related procedures and management arrangements and so HSE is currently assessing both Transco's revised safety case and the safety cases of the new distribution network operators. These will not be accepted unless they are robust and satisfactorily demonstrate that risks will continue to be properly controlled.

Ofgem has highlighted those parts of the consultation document that are relevant to HSE:

### **Emergency Services Coordination**

#### **DN Boundaries**

Ofgem has stated that it considers it important for arrangements to be in place between DNs regarding the provision of emergency services at DN boundaries. Both HSE and NGT have confirmed that the provision of adequate arrangements at the network boundaries is considered within the safety case and that HSE will not accept a safety case that fails to address this matter. Similarly the requirement for transporters responding to an incident on a DN boundary to notify the DN whose network the incident is on is also covered by the safety

case. HSE is therefore content that Ofgem is not proposing any licence modification to address these issues. It is understood that other emergency service provisions will be included in the licences of all National Transmission System (NTS) and DN owners as Standard Special Condition A8.

#### First response emergency services to Independent Gas Transporters (IGT)

HSE notes Ofgem's commitment to reviewing the arrangements regarding the first response emergency services to IGTs. The current extended agreements between IGTs and Transco will expire by 1<sup>st</sup> April 2006 and new arrangements will need to be implemented before then, as outlined in the document. HSE agrees that the provisions should be applicable to all NTS and DN owners and be placed in Standard Special Condition A41.

#### First emergency response services to NTS

HSE reiterates its agreement with Ofgem that it is appropriate to introduce a new licence condition requiring the DN owners to provide a first line emergency response service to the NTS. HSE is content that the DN owner shall not be required to carry out any physical work on the NTS unless the NTS operator requests or authorises otherwise. This is to ensure that, at a later date, this does not preclude the DN owners from undertaking such work. These requirements are outlined in a new Standard Special Condition D6, which also states that any emergency response service is effected by adequately trained competent personnel.

#### Pipeline security standards

HSE agrees with Ofgem and other parties who hold that a licence condition should apply to both the NTS and the new DN owners for the 1 in 20 obligation to ensure that there is clarity regarding the security standards and a commitment from these parties to develop their networks to meet daily gas demands. There has been a change to the wording of the Standard Special Condition A9 to ensure that the obligation takes account of within day gas flows variation and HSE is content with this change.

The above points have been previously discussed and agreed between Ofgem and HSE and, although the wording has been slightly altered, this letter can be taken as confirmation that HSE remains content with the suggested proposals. HSE will also continue to provide input into Ofgem's work relating to the DN sales as appropriate.

Yours sincerely

**Mike Leppard**  
**Policy adviser**