

**Emergency Service Arrangements provided
by Distribution Networks to Independent
Gas Transporters**

Consultation Document

June 2005

Summary

Before 1 June 2005, Transco provided a nationwide emergency service to customers on its networks and to customers situated on Independent Gas Transporters' (IGTs) networks through contractual arrangements that have been in place since IGTs began to operate. The contractual arrangements provided for Transco to make safe reported gas emergencies and undertake repairs to IGT pipeline systems. There was no licence obligation on Transco to provide this service and the charges levied were not price controlled.

Following the hive down of four of Transco's Gas Distribution Networks (DNs) on 1 May 2005, the emergency services contract between Transco and each IGT was novated to all DNs. A new emergency service licence condition was included in the licences of all DNs and the National Transmission System (NTS) (Standard Special Condition A8 'Emergency Services and Enquiry Service Obligations'). Standard Licence Condition 6 of the gas transporters licence 'Emergency Services and Enquiry Service Obligations' continues to apply to all IGTs. Condition A8 and Condition 6 require DNs and IGTs to provide emergency arrangements in respect of customers on their networks but not on other gas transporters' networks.

When the contractual arrangements fall away on 1 April 2006, DNs will only be obliged to provide an emergency service in accordance with their licence obligations. In the absence of a licence requirement to provide emergency services to IGTs, Ofgem is concerned to ensure that from 1 April 2006, customers on IGT networks continue to receive an emergency service comparable to the emergency service that customers on DNs receive.

Ofgem, in consultation with IGTs and DNs, will work towards establishing:

- ◆ Whether a revised / new licence condition on DNs is required or whether the existing contractual regime can be reviewed and continued;
- ◆ The scope of any licence condition required in respect of emergency services provision to IGTs by DNs; and
- ◆ The appropriate support for contractual arrangements between IGTs and DNs in respect of emergency services that DNs currently provide to IGTs.

To inform the consultation process Ofgem proposes to hold a workshop at Ofgem's 9 Millbank office, SW1P 3GE on Wednesday 20 July 2005, commencing at 10:00a.m. Please indicate by 15 July 2005 whether you wish to attend the proposed workshop.

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1. Introduction

- 1.1 Independent Gas Transporters (IGTs) are required to provide an emergency service to their customers under Standard Licence Condition 6 of the Gas Transporters licence. This licence condition continues to apply in the divested gas industry structure to all non Distribution Networks (DN) /National Transmission System (NTS) gas transporters. Each IGT sourced emergency services from Transco through contractual arrangements. These contracts were novated to all DNs from 1 May 2005 and will fall away on 31 March 2006.
- 1.2 When the contractual arrangements fall away DNs will not be obliged to provide an emergency service to IGT customers. IGTs would be required to provide a nationwide emergency service to customers connected to their networks.

Purpose of this document

- 1.3 This document seeks views on:
- ◆ the most appropriate means of protecting the interests of IGT customers when the contractual arrangements by which emergency services are provided by DNs expire on 31 March 2006; and
 - ◆ how emergency arrangements for IGT customers will be provided from 1 April 2006. That is, whether it is appropriate to amend or put in place a new licence condition on DNs which would require DNs to provide a defined emergency service to IGTs from 1 April 2006 or whether the existing contractual regime can be reviewed and continued.

The Health and Safety Executive's views

- 1.4 Under Regulation 7 of the Gas Safety (Management) Regulations 1996, all gas conveyors, including IGTs, are required to have arrangements for responding to gas escapes, which includes performance standards which should be met.
- 1.5 The Regulations allow conveyors to appoint an emergency service provider to undertake that responsibility for them.

- 1.6 The particulars of the arrangements have to be described in each conveyor's safety case which has to be accepted by HSE. The HSE assess those arrangements against criteria in their safety case assessment manual.
- 1.7 Material changes to the existing arrangements will require IGTs to submit a revision to their safety case to HSE which will have to be accepted before the changes can be made. In assessing any proposed change, HSE require safety standards to be maintained.

Impact assessment

- 1.8 At this stage Ofgem considers that a full impact assessment is not required for this document, as views are only being sought on the issues raised in this consultation. If, in light of responses to this consultation, Ofgem decides to pursue a licence amendment or implement a new licence condition, Ofgem will formally consult on the proposal and include an impact analysis.

Document structure

- 1.9 Chapter two sets out the changes implemented on 1 June 2005 to the emergency service provided by DNs to support the divested industry structure.
- 1.10 Chapter three details the key consultation issues regarding the provision of emergency services to IGTs.
- 1.11 Chapter four discusses in more detail Ofgem's proposals to take this work forward.
- 1.12 The appendices describe the emergency service that Transco provided to IGTs up to 31 May 2005 and include statistics on amongst other things, Transco's emergency call handling / dispatch service, on-site attendance and emergency service charges.

Responses

- 1.13 Ofgem welcomes views on all aspects of this consultation. It is open for respondents to mark all or part of their responses as confidential. Responses that are not marked as confidential will be placed on the Ofgem website.
- 1.14 Responses to this document should be sent to Roger Morgan by email at roger.morgan@ofgem.gov.uk or alternatively, addressed to:

Roger Morgan

Manager, Gas Connections Policy

Ofgem

9 Millbank

London SW1P 3GE

Responses should be received by 11 August 2005

- 1.15 If you wish to discuss any aspect of this document, Roger Morgan (telephone 0207 901 7346) or Nicola Love (telephone 0207 901 7036) will be pleased to help.

2. Emergency services provided by DNs in the new divested industry structure from 1 June 2005

- 2.1 This chapter describes the changes to the emergency arrangements implemented from 1 June 2005 to support the new divested gas industry. The chapter describes the changes Transco has made to its call handling, dispatch, on site attendance and post emergency works and discusses how independent distribution networks (IDNs) source the necessary IT systems from Transco (via the Front Office Management Systems Arrangements (FOMSA)) to interface with Transco's call handling and dispatch systems.
- 2.2 Appendix 1 to this document provides a detailed description of the emergency service Transco provided to IGTs until 31 May 2005.

Front Office Management System Arrangements (FOMSA)

- 2.3 The FOMSA ensures that the IT systems supporting the current emergency arrangements dispatch process for IGT customers will be continued until 31 March 2006. Ofgem understands that the FOMSA will come to and end after 18 months. Prior to this Ofgem will expect all IDNs to explain how they will manage the dispatch of engineers to reported emergencies. Ofgem will also expect Transco to provide similar information for its retained networks.

Call handling

- 2.4 The emergency call handling service Transco provides on behalf of IGTs and DNs will remain a Transco activity. Transco will continue to provide this service to all DN / IGT customers through contractual arrangements. Customers on IGT networks reporting a suspected gas leak will continue to use the same gas emergency number (0800 111 999) and operators will follow the same process for managing emergency calls (as described in Appendix 1).
- 2.5 Transco's Hinckley and Northampton call centres will handle all emergency, enquiry, appliance and Meter Point Reference number calls. Transco chose these locations due to their close geographical proximity to each other which enables more effective

business continuity management. That is, in the event that one call centre is lost, staff can be transferred to the other call centre within an hour.

- 2.6 At the call handling stage, operators are not able to identify whether the reported gas escape affects an IGT network. This information is available to engineers via their laptop, but does not affect the engineer's obligation to attend the site and make safe. The process for undertaking / notifying repairs is dependent upon the individual IGT and the terms of their individual contract with Transco as was previously the case.
- 2.7 Where IGTs are connected to an IDN, both emergency services contracts and emergency metering services contracts were novated to the relevant IDN on 1 May 2005. All novated contracts held by IGTs contain pre-existing terms and conditions and are in effect until 31 March 2006.

Dispatch

- 2.8 Dispatch to emergency calls will continue to be undertaken by the Transco call centre until the FOMSA falls away. Once an emergency report has been logged all dispatch activities for emergencies on IDN networks are transferred to Killingworth. Dispatch for emergencies in Transco's retained distribution networks (RDNs) is managed by either Hinckley or Northampton. Dispatch is organised as shown in the table below:

| | |
|--------------------------|--|
| Hinckley call centre | West Midlands North West |
| Northampton call centre | North London East of England |
| Killingworth call centre | Scotland North of England Wales and West South of England |

- 2.9 The process for identifying the nearest engineer is not affected by DN boundary lines. Every area of the country has been designated a "patch." A reported emergency is allocated to the closest available engineer within the relevant patch.
- 2.10 The recording of performance still commences once a unique reference number has been issued by Job Issue System (JIS). Automatic dispatch to the closest available

engineer also continues, with no changes to the procedures previously employed to allow manual reassignment of an engineer when appropriate.

Attendance on site

- 2.11 Once on site, engineers continue to be obliged to make the site safe and to carry out repairs in less than 30 minutes and for a service cost of less than £4.65. The £4.65 rule does not apply to work carried out on an IGT site, under the emergency service contract all work undertaken is chargeable. The engineers are also required to avoid, wherever possible, cutting off the gas supply to any domestic premises where the gas is used for heating or cooking, as specified in Standard Special Condition A8.

Costs for attendance on site and emergency repairs

- 2.12 The charges to IGTs for an engineer attending an emergency and completing emergency repairs remain the same as those set in the Schedule of Rates previously provided by Transco. This will continue to 31 March 2006.
- 2.13 Figure 1 outlines the emergency service process post 1 June 2005, from the receipt of a call to the site being made safe and the completion of basic repairs or the identification of the need for further repairs to be completed.

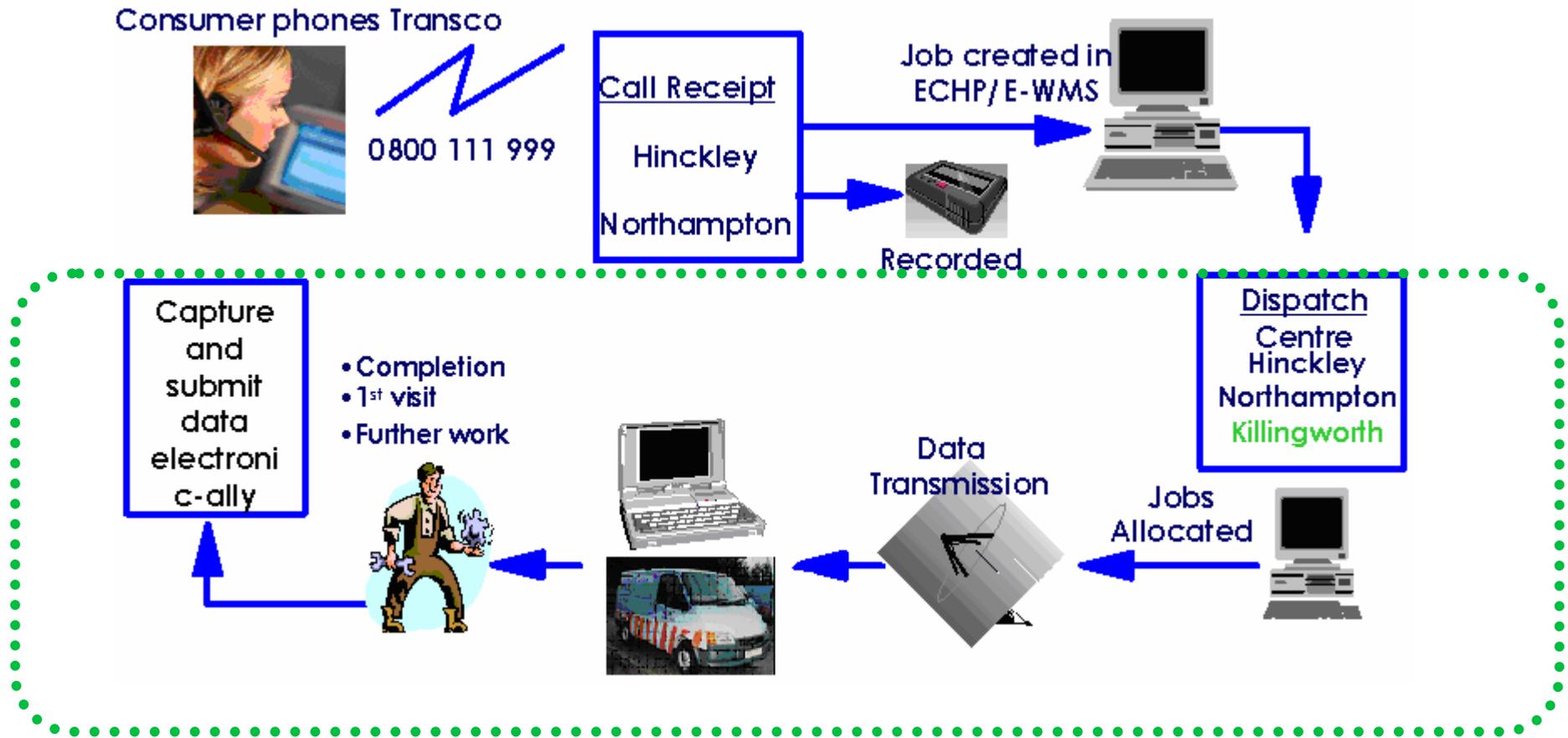
Post emergency information/invoicing

- 2.14 Post emergency information will continue to be supplied to the affected IGT in the same manner as it was previously provided by Transco until 31 March 2006.

Provision of emergency metering service to IGTs

- 2.15 The current arrangements for emergency metering services to IGTs will continue until 31 March 2006 as this contract was novated to each DN at hive down.

Figure 1 – Gas emergency workflow diagram post 1 June 2005



3. Consultation issues

- 3.1 This chapter details a number of consultation issues. It is important to note that the main purpose of this consultation is to seek views on the most appropriate way to protect the interests of IGT customers when the emergency contractual arrangements between DNs and IGTs fall away on 31 March 2006. Paragraphs 3.3 to paragraph 3.6 identify two possible options.
- 3.2 Paragraphs 3.8 to 3.15 of this chapter present for consideration a number of emergency operational / service delivery issues that do not directly affect upon end customers. These issues, the majority of which were identified by IGTs, have been included in this document as they impact upon the day to day operation of the emergency service that IGTs receive. Ofgem is particularly interested in views on how to address the operational / service delivery issues identified in this chapter. Ofgem proposes to discuss these issues in more detail during the workshop planned for 20 July 2005.

Requirement for and scope of a new emergency service licence condition

- 3.3 The requirement for and the scope of any licence condition on DNs to provide an emergency service to IGTs may need to be established. There are a number of options for a possible licence condition:
- ◆ Make safe only;
 - ◆ Make safe and carry out limited repairs at or downstream of the meter enabling supply to be restored. This could include work completed within 30 minutes and costing no more than £4.65;
 - ◆ Make safe and carry out limited simple repairs that can reasonably be completed by the engineer or distribution team on site at the time of the original make safe visit; and
 - ◆ Make safe and complete a more extensive level of repairs (full service equivalent to current service and consistent with IDNs own directly connected consumers).

This would sometimes require a separate engineering team or additional teams in major supply restoration cases to attend the site.

- 3.4 IGTs have expressed a strong preference for DNs to continue to provide the full emergency service. IGTs consider that the removal of the full service will result in significantly higher costs to IGTs and a deterioration in customer service in terms of the time taken to restore gas supplies.
- 3.5 Ofgem welcomes views on whether a new or revised licence condition is required on DNs, the scope of such a licence condition and on any additional licensing issues that require further consideration.

Continuation of the existing contractual arrangements

- 3.6 It is possible that the existing emergency contract could be extended. This would mean that IGTs would continue to procure an emergency service from DNs through contractual arrangements and IGT customers would continue to receive an emergency service that is comparable to the emergency service that DNs provide to their customers.
- 3.7 Ofgem welcomes views on whether the existing emergency contractual arrangements in place between DNs and IGTs should be extended from 1 April 2006, and on any additional issues concerning the continuation of the existing contractual arrangements.

Emergency service charges

- 3.8 Transco reviewed and amended the post emergency service charges in 2001. However, the call handling and dispatch costs are still based on Transco's 1999 Activity Based Costing (ABC) analysis and are not separately identified. Transco recovered 7% profit for call handling, 6% profit for emergency related repair works and 12% profit for the provision of emergency metering works by the Transco area completing the repairs (further details of the breakdown of costs to IGTs for emergency services are provided in Appendix 2). These charges will continue to be recovered via the terms of the contract until 31 March 2006.
- 3.9 Ofgem aims to ensure that competition develops in the provision of emergency and emergency repair services where appropriate. One way of facilitating competition

could be to decouple call handling and dispatch activities as DNs may wish to undertake dispatch activities and develop systems and processes that interact with Transco's call handling service. If DNs were to withdraw from offering the full service there could also be opportunities for contractors to offer competing services in respect of post "make safe" repairs.

- 3.10 Ofgem welcomes views on the way in which DNs recover the costs of providing the emergency service to IGTs. For example, whether the call handling and dispatch charges should be decoupled and how competition might be introduced in the provision of any emergency related activities. Ofgem welcomes views on these issues and on any additional cost related issues that require further consideration.

Call handling

- 3.11 The call handling service will remain a Transco activity. Ofgem understands that there is no change to the call handling service provided by Transco.
- 3.12 Ofgem is not aware of any issues regarding the handling of emergency calls but welcomes views on any emergency call handling issues that require further consideration.

Provision of emergency metering service to IGTs

- 3.13 One IGT has raised concerns about how the current emergency metering service contracts will evolve. The IGT questions whether all DNs will continue to offer these services and also if both the contracts and negotiations will be with individual IGTs or with the whole IGT community.
- 3.14 Ofgem welcomes views on this issue and any additional metering issues that require further consideration.

Post emergency information/invoicing

- 3.15 IGTs have reported long term problems with the quality of invoicing and the resolution of invoicing disputes. It may be appropriate for a standard of service to be established regarding the delivery of invoices and the resolution of invoice disputes relating to work

undertaken by the DN licensee. This could specify deadlines for providing invoices to IGTs and for resolving disputes that have been raised by IGTs.

- 3.16 Ofgem welcomes views on this issue and any additional post emergency information/invoicing issues that require further consideration.

4. Next Steps

- 4.1 The deadline for response to this consultation is 11 August 2005. Set out below is Ofgem's proposed timetable for taking this work forward. Views are welcomed on the proposed timetable and the means by which Ofgem proposes to facilitate debate and inform its decision.

Ofgem Workshop

- 4.2 Ofgem proposes to hold a workshop on Wednesday 20 July at Ofgem's 9 Millbank offices, commencing at 10:00 a.m. The purpose of the workshop is to provide industry participants with an opportunity to discuss the issues raised in this consultation. Please indicate by Friday 15 July whether you wish to attend the workshop.

Working Forum

- 4.3 Following the workshop, Ofgem proposes to establish a working forum by early August 2005. The purpose of the forum would be to inform the Ofgem decision document. Ofgem proposes to chair the forum as a means of facilitating debate and helping to establish the way forward. The forum would not be a decision making body and attendance would be open to IGTs, DNs, HSE and other interested parties. Ofgem will publish draft terms of reference for the working forum in advance of the workshop.

Ofgem Decision Document

- 4.4 Ofgem proposes to publish a decision document in September 2005. If Ofgem considers that the implementation of a new licence condition on DNs will be necessary the decision document will include a consultation on a DN licence modification.

Appendix one - Emergency services provided by Transco up to 31 May 2005

A1.1 This appendix should be read in conjunction with chapter two and describes:

- ◆ the emergency services that Transco provided to IGTs; and
- ◆ how Transco managed each stage of the emergency service. That is, call handling, dispatch, on site attendance and the post emergency arrangements in place with IGTs.

Call handling

A1.2 Transco provided a 24 hour telephone service where customers could report a suspected emergency, such as a gas leak. Transco managed this service through three call centres, situated in Hinckley, Killingworth and Gloucester and employed approximately 1,060 full time equivalent staff who provided a range of call centre services in addition to emergency service calls. These services are listed below:

- ◆ Gas Emergency Line – 24 hour freephone gas emergency service;
- ◆ Gas Emergency Line (minicom) – 24 hour freephone gas emergency service for people who are deaf or hard of hearing;
- ◆ Enquiry Calls – Local rate general enquiry calls including connection quotation requests;
- ◆ M number calls – National rate calls for customers requiring their Meter Point Reference Number (MPRN) and to identify their gas supplier;
- ◆ Meter calls – Transco Metering Service (TMS); and
- ◆ Appliance repair helpline – Freephone service enabling customers to obtain a list of CORGI registered engineers in their local area who can complete repairs or replace a faulty appliance.

Call handling standards

A1.3 To incentivise Transco to deliver an acceptable level of emergency service Ofgem introduced in 2002 the following Overall Standard of Service (OSOS) for the provision of emergency call handling services:

- ◆ 90% of telephone calls to the Gas Emergency Line (0800 111 999) to be answered within 30 seconds. Transco's performance against this measure in the financial year 2003/2004 was 96%.

A1.4 Transco achieved this level of service for all customers regardless of which network the customer was situated on.

Process for dealing with an emergency call

A1.5 Customers called the Gas Emergency Line to report a suspected gas leak or for advice on gas safety. Within each call centre, Transco had a dedicated team to deal with emergency calls although all operators were trained to deal with these calls. If there was an increase in the number of emergency calls received, or any were held in a queue, calls would be diverted to the first available operator. All call centre staff worked within the emergency team on a regular basis to ensure that they were adequately trained to handle such calls.

A1.6 A call to the emergency line was given priority over other calls. If a person reported a suspected gas leak then the call operator followed a set process. The operator received automatic prompts which helped them to obtain key facts from the caller. The telephone package Transco used is known as the Emergency Call Handling Package (ECHP). The ECHP guided the operator to ask a series of questions which helped to ensure that all calls were handled in a consistent manner.

A1.7 In a typical call the customer was initially asked for their name and address, including their postcode. The customer was asked a series of questions which an operator would see on screen. The operator typed in the responses to each question and these responses were assessed to judge the priority level of the call, for example, whether it was a controlled or uncontrolled escape. Once all questions had been answered a unique reference number was assigned, through a computer system called Job Issue System (JIS), and the job was automatically sent to Transco's dispatch system. The recording of

the response time to an emergency commenced immediately after a reference number had been assigned.

- A1.8 Once the job had been dispatched, the operator provided standard safety advice to the caller. For example, to open windows, not light naked flames etc.
- A1.9 All emergency calls were recorded and archived for 6 months through a system called EYRETEL. These recordings were used in the event of confusion about a customer's address details and for staff training and performance monitoring.
- A1.10 In the year to October 2000 2.2 million emergency calls were received by Transco. In the financial year 2004/05 this figure had reduced to 2.1 million calls. In 2004/05, Transco completed 12,388 emergency jobs on IGT networks. This accounts for 0.59% of emergency calls received during this year.

Call handling charges

- A1.11 All IGTs had a contract with Transco for the provision of call handling services. IGTs could choose to be charged for the call handling service in one of two ways. These are outlined below:
- ◆ Fixed cost per customer: £0.80 per end user per annum
 - ◆ Per call received: £5.31 per call plus an annual charge of £1,500
- A1.12 These charges were set in October 2000 following negotiations between Transco and IGTs through the Association of Independent Gas Transporters (AIGT). Ofgem was an observer at these negotiations.

Dispatch

- A1.13 Once a reference number had been assigned to an emergency call it was sent to the JIS and dealt with by Transco's dispatch team. Jobs received were either automatically allocated through an automatic dispatcher (AD) system or manually dispatched to the closest available engineer. The AD system enabled dispatchers to closely monitor critical jobs and escalate any issues to operational managers for action.

- A1.14 Transco utilised the AD facility during peak call handling periods. During off peak periods, typically night time, the AD was replaced by a manual dispatch process, as it was easier to dispatch manually during quieter periods.
- A1.15 Once a job was dispatched the laptop of the engineer in receipt of the job would “beep” to alert the engineer that a new job had been received.
- A1.16 Upon receipt each engineer was required to send an acknowledgement of the information received. This automatically accepted the job. If the engineer did not want to take the job, for example, if their current job was likely to overrun, the engineer had to contact the dispatch team and ask them to reassign the job. Dispatch teams were able to manually intervene if an engineer did not respond promptly to a request and would reallocate the job to another engineer if necessary.
- A1.17 Once an engineer had accepted a job the JIS system would automatically generate an estimated time of arrival (ETA) at the site. This took into account a number of factors including time of day, traffic, river crossings etc. If for example, the engineer broke down or was stuck in traffic, dispatch would assign another engineer to attend.

Attendance on site

- A1.18 Upon arrival the engineer would send an electronic signal to the dispatch team to confirm arrival, and the response time was logged at this point. To incentivise Transco to attend emergencies in a timely manner, Ofgem introduced in 2002 the following OSOS:
- ◆ To attend 97% of reported uncontrolled gas escapes within one hour; and
 - ◆ To attend 97% of reported controlled gas escapes within two hours.
- A1.19 Transco’s performance against these measures in the financial year 2003/04 was 98% for uncontrolled escapes and 99% for controlled escapes.
- A1.20 On site engineers were obliged to make safe. For internal gas escapes engineers would also seek to carry out simple repairs that could be completed within 30 minutes and that used materials costing up to £4.65. In practice the majority of internal repairs were fully completed by Transco’s engineers on the initial visit.

A1.21 If an engineer required further assistance in order to make safe or to carry out repairs the engineer made this request electronically through dispatch. This request was dealt with by a separate Transco team, who operated in a similar manner to the dispatch team, i.e. they identified the closest suitable team equipped to carry out the necessary repairs.

A1.22 If the emergency was made safe but required further repairs to an IGT's pipeline network, the IGT concerned was contacted and arrangements were made for the job to be completed.

A1.23 If the engineer was unable to complete internal repairs he/she had to provide the customer with a list of CORGI engineers so that arrangements could be made for further works to be carried out.

Costs for attendance on site and emergency repairs

A1.24 The charges for attending the site of an emergency and completing emergency repairs were defined in a Schedule of Rates. The rates were calculated in 2001 and were based upon the actual invoiced charges for the 5,954 IGT jobs carried out by Transco during the year ending 31 September 2001. These costs were agreed between Transco and IGTs in November 2001. Jobs were divided into one of two rates, dependent on the time when the Transco operatives received the job instruction:

- ◆ Rate A: 08:00 to 18:00 on week days
- ◆ Rate B: All other times (including bank or public holidays)

A1.25 Further information on the charges to IGTs is provided in Appendices two, three and four.

A1.26 Figure 2 outlines the emergency service process pre 1 June 2005, from the receipt of a call, to the site being made safe and the completion of basic repairs.

A1.27 Figure 3 shows the gas repair service pre 1 June 2005, where a team was required to attend the site of an emergency in order to complete emergency repairs.

Post emergency information/invoicing

A1.28 As part of the emergency services contract Transco was obliged to send notification of any emergency services to the relevant IGT within 48 hours of completing any such

works. Transco provided this information via a fax summary of the incident. IGTs had the option to contact Transco and request further information. This was primarily requested in the case of suspected third party damage. Where a call out was the result of damage by a third party, for example a contractor on a new build development, Transco and IGTs would attempt to recover all costs from the third party.

A1.29 Transco was also required to provide IGTs with an estimate of the likely invoice regarding any emergency service work carried out on an IGT network within 28 days of completing the works. Transco was then obliged to provide the final invoice to the IGT within 6 weeks of final completion of the emergency works.

A1.30 In the financial year 2004/05, Transco issued 12,395 invoices to IGTs for jobs completed following an emergency call out. The contract between IGTs and Transco stated that the final invoice should be received by the IGT within 6 weeks (30 working days) of completion of works. Transco statistics show that for the financial year 2004/05, 89% of invoices were issued within 28 calendar days, with 12% taking more than 28 days to be issued.

A1.31 IGTs could dispute an invoice that they believed to be incorrect. A dispute process was in place between Transco and the IGTs.

A1.32 During the financial year 2004/05, Transco stated that 1,749 invoices were disputed by IGTs. This accounted for 14% of all invoices issues to IGTs in this year. Transco and IGTs agreed in March 2004 on 6 categories of invoice dispute.

1. IGTs questioning or stating it is not their site.
2. Details of date and time of job not given.
3. Details of address not given.
4. Details of damage and repair not given.
5. Details of meter exchange reads, serial numbers, and meter serial types not given.
6. Incorrect contract charge applied.

A1.33 There were three possible outcomes for a dispute.

1. Transco – Dispute resolved and IGT agreed to pay invoice in full;
2. IGT – Dispute resolved and Transco agreed to credit invoice in full; and
3. Joint – Dispute resolved and either a part credit or credit and rebill to another IGT.

A1.34 Transco statistics illustrating the resolution of disputes for the financial year 2004/05 are included in Appendix 4. In summary, the statistics demonstrate that 48% of disputes were resolved in Transco's favour and 52% were resolved in full or partial favour of the IGT.

Provision of emergency metering service to IGTs

A1.35 All IGTs had a contract with Transco for the provision of emergency metering services which covered replacement of standard U6 meters where these were identified as faulty by the Transco emergency engineer on site. Charges for works under this contract were outlined in a Schedule of Rates. Charges were calculated based upon time taken to complete a job, materials, costs, overhead costs and profit margins. Jobs were divided into one of two rates, dependent on the time when the Transco operatives received the job instruction:

- Rate A: 08:00 to 18:00 on week days
- Rate B: All other times (including bank or public holidays)

Figure two - Gas emergency workflow diagram pre 1 June 2005

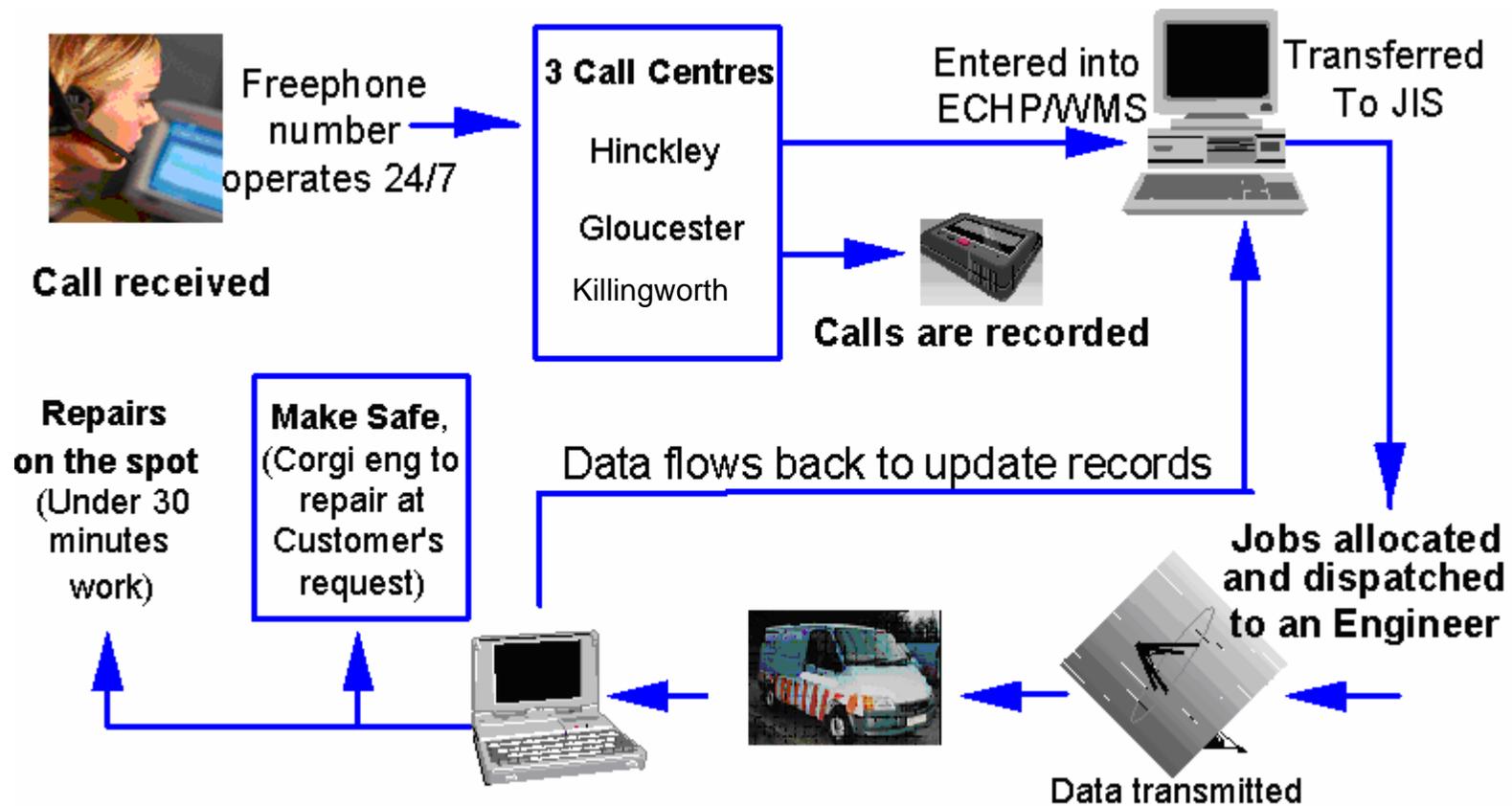
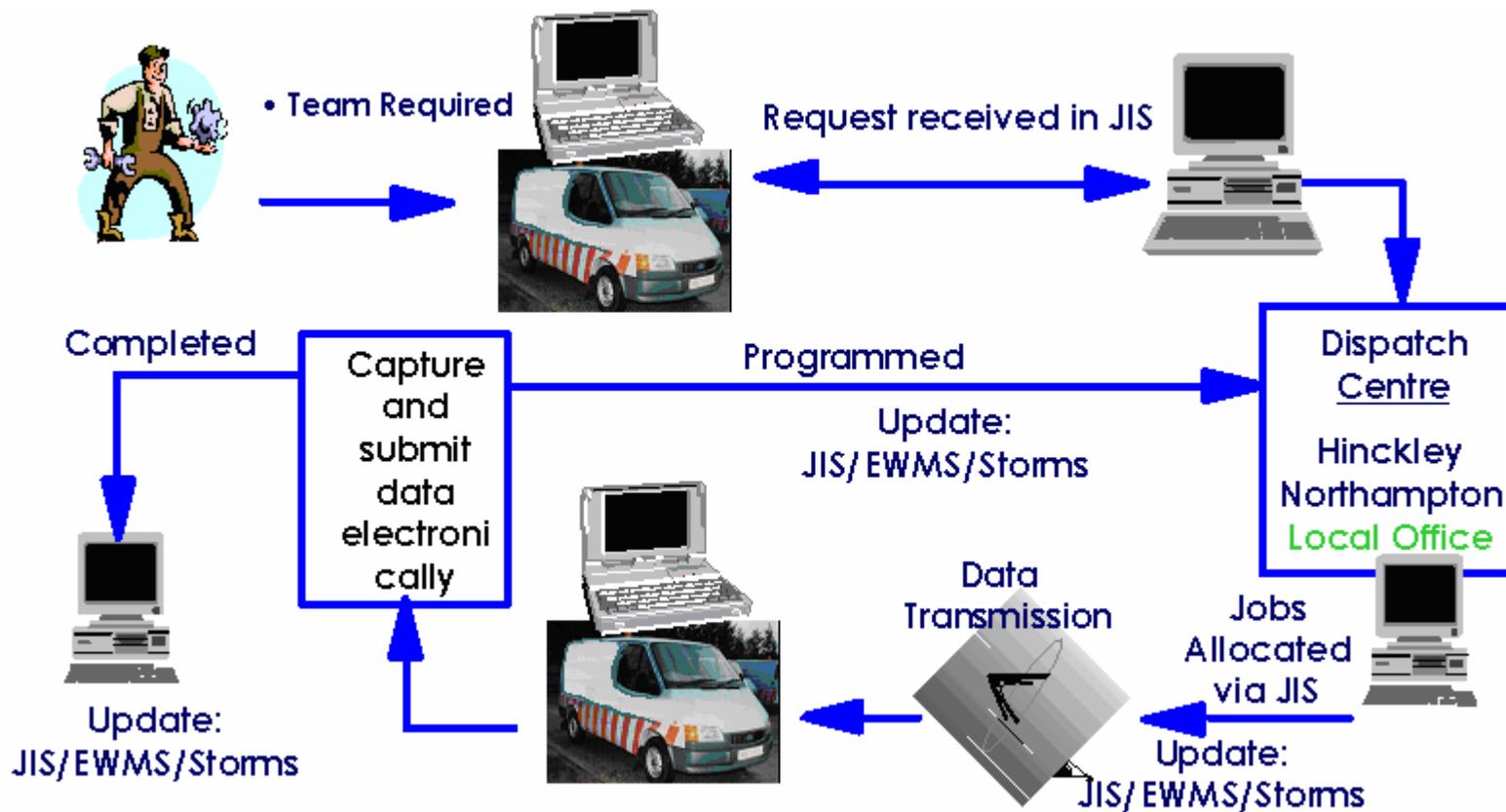


Figure three - Gas repair service pre 1 June 2005 – Team required



Appendix two – Transco’s emergency service charges

Call handling

A2.1 IGTs choose one of two options to pay Transco for the provision of the emergency call handling service. These are outlined below:

- ◆ Fixed cost per customer: £0.80 per end user per annum; and
- ◆ Per call received: £5.31 per call plus an annual charge of £1,500

A2.2 The breakdown of these charges is as follows:

Fixed cost per customer

((Emergency call handling costs / number of customers) + M46 and M47 fees) + 7% profit

| | |
|---|----------------|
| Emergency call handling costs (1999) | £10.92 million |
| Number of customers | 22 million |
| M46 and M47 fees – an electronic method for identifying IGT customers | £0.24 per call |
| <i>Calculation</i> | |
| £10.92 million / 22 million | = £0.50 |
| + £0.24 | = £0.74 |
| + 7% | = £0.80 |

Cost per call

(Emergency call handling costs / number of calls) + 7% profit

| | |
|--------------------------------------|----------------|
| Emergency call handling costs (1999) | £10.92 million |
| Number of calls (2000) | 2.2 million |
| <i>Calculation</i> | |
| £10.92 million / 2.2 million | = £4.96 |
| + 7% | = £5.31 |

Attendance on site and emergency repair charges

A2.3 The charges for attending a site and completing specific repairs were calculated in 2001 using invoiced charges for the 5,954 IGT jobs carried out in that year. Jobs were allocated into 7 job types and an average charge for each type was calculated.

A2.4 Charges are split into two different rates depending on the time when the operative receives the job instruction.

- ◆ Rate A 08:00 – 18:00 on week days
- ◆ Rate B All other times (including bank and public holidays)

| Job type | Average charge | |
|------------------------------|--|---------|
| | Rate A | Rate B |
| Internal escape | £62.16 | £68.36 |
| No trace external | £107.60 | £121.86 |
| Service development | £359.28 | £393.17 |
| Service mature | £518.81 | £579.79 |
| Mains repair low pressure | £526.90 | £582.46 |
| Mains repair medium pressure | £740.52 | £817.76 |
| Other repairs | These are calculated on a time and materials basis | |

Appendix three – Transco’s emergency service job types

Number of IGT jobs completed by Transco

A3.1 In the financial year 2004/05 12,388 emergency IGT jobs were completed by Transco, including 93 meter exchange jobs. The categories of jobs completed are outlined below.

| Job type | Internal escape | No trace external | Service development | Service mature | Mains repair low pressure | Mains repairs medium pressure | Other repairs | Meter exchange |
|-------------------|-----------------|-------------------|---------------------|----------------|---------------------------|-------------------------------|---------------|----------------|
| Volume | 9,193 | 618 | 1,389 | 76 | 577 | 11 | 431 | 93 |
| Percentage | 74.2% | 5% | 11.2% | 0.6% | 4.7% | 0.1% | 3.5% | 0.8% |

Volume by DN

A3.2 The breakdown of IGT jobs by DN and by job type is outlined below.

| DN | Internal escape | No trace external | Service repair development | Service repair mature | Mains repair low pressure | Mains repair medium pressure | Meter exchange | Other | Total |
|-------------------------|-----------------|-------------------|----------------------------|-----------------------|---------------------------|------------------------------|----------------|------------|---------------|
| East of England | 2,222 | 149 | 374 | 27 | 170 | 5 | 19 | 68 | 3,034 |
| London | 490 | 35 | 41 | 0 | 23 | 0 | 4 | 11 | 604 |
| North of England | 841 | 50 | 180 | 7 | 64 | 2 | 11 | 53 | 1,208 |
| North West | 866 | 68 | 105 | 4 | 32 | 1 | 24 | 38 | 1,138 |
| Scotland | 1,170 | 81 | 161 | 7 | 49 | 0 | 8 | 100 | 1,576 |
| South of England | 1,636 | 92 | 218 | 15 | 102 | 1 | 12 | 68 | 2,144 |
| Wales & West | 1,201 | 75 | 168 | 11 | 80 | 2 | 5 | 61 | 1,603 |
| West Midlands | 767 | 68 | 142 | 5 | 57 | 0 | 10 | 32 | 1,081 |
| Total | 9,193 | 618 | 1,389 | 76 | 577 | 11 | 93 | 431 | 12,388 |

A3.3 The breakdown of IGT emergency repair jobs by DN is outlined below.

| DN | Volume of IGT jobs | Percentage of IGT jobs |
|------------------|---------------------------|-------------------------------|
| East of England | 3,034 | 24.5% |
| London | 604 | 4.9% |
| North of England | 1,208 | 9.8% |
| North West | 1,138 | 9.2% |
| Scotland | 1,576 | 12.7% |
| South of England | 2,144 | 17.3% |
| Wales & West | 1,603 | 12.9% |
| West Midlands | 1,081 | 8.7% |
| Total | 12,388 | 100% |

Appendix four – Transco’s emergency service invoicing

Invoicing data

A4.1 In the financial year 2004/05 Transco sent out a total of 12,395 invoices to IGTs.

The breakdown of these into DN is given below.

| DN | Number of IGT invoices |
|------------------|---------------------------|
| East of England | 3,035 |
| London | 604 |
| North of England | 1,209 |
| North West | 1,138 |
| Scotland | 1,578 |
| South of England | 2,145 |
| Wales & West | 1,605 |
| West Midlands | 1,081 |
| Total | 12,395¹ |

A4.2 Transco’s contract with IGTs states that the final invoice shall be issued to the IGT within 6 weeks of repairs being completed. The time taken to create each invoice is outlined below. Please note that the days listed are calendar days.

| Time taken to create invoice | < 8 days | 9-15 days | 16-22 days | 22-28 days | > 28 days |
|------------------------------|----------|-----------|------------|------------|-----------|
| Percentage of IGT invoices | 23% | 32% | 24% | 10% | 12% |

Invoice disputes

A4.3 IGTs can dispute an invoice that they believe is incorrect. In March 2004 Transco and IGTs defined 6 categories of invoice dispute which are listed in Appendix 1.

A4.4 IGTs disputed 1,749 invoices in the financial year 2004/05. This accounts for 14% of all invoices issued to IGTs in this year.

¹ The total number of invoices is greater than the total number of IGT jobs listed due to manual error in inputting the data into the database system. 7 jobs were placed in the system but had not been allocated to a job type.

A4.5 Transco statistics show a total of 1,863² invoice disputes in the financial year 2004/05. The breakdown of the outcome of these disputes is detailed below.

| Dispute resolved in favour of | Volume | Percentage |
|--------------------------------------|---------------|-------------------|
| Transco | 896 | 48.1% |
| IGT | 467 | 25.1% |
| Joint | 500 | 26.8% |
| Total | 1,863 | 100% |

² The outcome of IGT disputes indicates a higher number than that listed in the disputes received in the financial year 2003/04. This is due to a small number of disputes being raised in 2003/04 but resolved in 2004/05.