



*Promoting choice and
value to customers*

To: Distribution Networks,
Independent Gas Transporters and
other interested parties

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Dear Colleague,

Consultation letter - Designated Registrar of Pipes Licence Conditions / Accuracy of gas pipeline records

Introduction

All Distribution Networks (DNs) record and make available their pipeline data to ensure that:

- ◆ Statutory undertakers (other utility companies) and their contractors are able to locate pipelines and undertake streetworks safely; and
- ◆ Independent Connection Providers¹ (ICPs) are able to locate pipes for managing gas connections requests / undertaking physical works in a safe, economic and efficient manner.

Independent Gas Transporters (IGTs) through contractual arrangements in place with all DN's are obliged to provide their as laid drawings (both electronic and paper versions of pipeline plans) to each DN to support the gas emergency services which all DN's provide to IGTs.

Purpose of this letter

Concerns have been expressed to Ofgem by a number of ICPs and IGTs about the accuracy of DN's pipeline data. That is, the physical location of pipes does not match with the location details provided on the DN's pipeline records. A number of ICPs and IGTs suggest that inaccurate pipeline records impact on their ability to undertake connections in an efficient and effective manner.

Ofgem wishes to ensure that competition in connections and safety is not adversely affected by inaccurate pipeline records. Therefore, this letter is the first stage of a consultation that seeks views on what measures can be put in place to improve the accuracy of DN pipeline records.

The consultation focuses on two issues:

¹ An Independent Connection Provider (ICP) is an independent provider of connections services. ICPs are not licensed by the Authority.

- ◆ **The Designated Registrar of Pipes (DRP) licence conditions** – it details Ofgem’s concerns, invites views on whether a DRP or a number of DRPs should be appointed by the Authority, and asks whether it is appropriate to amend the relevant DRP licence conditions to include the recording and provision of certain service pipe data.
- ◆ **Issues concerning the accuracy of existing gas pipeline records** – it details Ofgem’s concerns and invites views on what steps can be taken to improve the accuracy of gas transporters’ (GTs’) pipeline records and how the consequences of faulty records should be dealt with to minimise costs and any adverse impact on safety and competition in connections.

Ofgem is currently not aware of concerns about NTS pipeline records, therefore, it is important to point out that this consultation focuses primarily on DNs. However, it is open to respondents to comment separately on NTS pipeline records in accordance with the context of this consultation.

Responses

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 Ofgem’s website. Responses to this letter should be sent to Roger Morgan by email to roger.morgan@ofgem.gov.uk or alternatively addressed to Roger Morgan, Gas Connections Policy Manager, Ofgem, 9 Millbank, SW1P 3GE.

Responses to this consultation letter should be received no later than 5 October 2005.

Impact Assessment

At this stage Ofgem considers that a full impact assessment is not required for this consultation, as views are being sought on the issues raised. 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 assessment.

Consultation Issues

1 The Designated Registrar of Pipes

Background

The Gas and Electricity Markets Authority (the Authority) may appoint a DN gas transporter or the National Transmission System (NTS) gas transporter as a Designated Registrar of Pipes (DRP) under standard special condition A49 of the gas transporters licence.

If appointed, a DRP would be obliged to maintain a register of gas mains within the area covered by the DRP and make such data available to interested parties such as utilities and other bodies wishing to install / maintain apparatus.

The Authority has not appointed a DRP at this time. However, the Authority is now considering whether it is appropriate to appoint one or more DRPs for Great Britain, and if so whether the arrangements currently provided by the gas transporters licence are appropriate.

DRP licence conditions

Standard special condition A49 of the gas transporters licence, 'Designated Registrar of Pipes,' allows the Authority to designate a gas transporter as a DRP in respect of all mains in a specified area, including mains operated by other gas transporters and persons authorised to transport gas by an exemption granted by the Secretary of State.

Standard special condition A49 is part of both the NTS and DN gas transporters licence, and as such the Authority may appoint Transco NTS or one of the DNs as the DRP for a particular area.

Where the Authority designates a gas transporter as the DRP for a particular area, the licensee will be obliged to establish, operate and maintain (or procure the establishment, operation and maintenance of) a mains administration service for that area.

The mains administration service should fulfil a number of functions, these are set out below:

- ◆ The receipt and processing of pipeline data provided by gas transporters (including itself) to the DRP under standard special condition A51 of the gas transporters licence, or by persons authorised to transport gas by an exemption granted by the Secretary of State.
- ◆ Recording the data in the form of a register of all mains in the specified area which have been notified to the DRP.
- ◆ The maintenance of an enquiry service to provide to any person, on request, with a plan illustrating whether any main operated by any gas transporter or any person authorised to transport gas by an exemption granted by the Secretary of State is situated within 23 metres of the proposed location of a main which the person who has sought the enquiry is considering laying. The person making the request must pay the reasonable costs of the DRP in complying with the request.

The mains administration service will include details of mains operated by persons authorised to transport gas by an exemption granted by the Secretary of State insofar as the DRP is able to obtain the relevant details.

Gas transportation licensees will provide data to the DRP under standard special condition A51 of the gas transporters licence. Standard special condition A51 does not yet have effect, however the Authority may designate that the condition shall have effect following such consultation as it considers appropriate.

Standard special condition A51 'Information to be Provided to the Designated Registrar of Pipes' of the gas transporters licence obliges the licensee to provide the DRP with the following data in respect of each main it operates:

- ◆ The location, route, diameter and material of the main;

- ◆ The nominal pressure range of the main;
- ◆ The date the main was laid or became a main; and
- ◆ The licensee's details (including name, address and contact details).

Standard special condition A51 also obliges the licensee to notify the DRP within 28 days after the commissioning of any new main, and of any change in respect of the data relating to a main (provided as above) including where the pipe is no longer in operation. In addition, the licensee is obliged to notify the DRP at least 7 days before bringing a new pipe into operation which is likely to be a main, or arranging with any other person for the pipe to be brought into operation, of the proposed location of the main.

To date the Authority has chosen not to appoint a DRP. The industry has put in place contractual arrangements that enable all gas transporters to maintain and make available records of their respective gas pipes / mains. Through these contractual arrangements, IGTs furnish the relevant DN with records of their pipeline data. This data is used by DNs to support the emergency service that they provide under contract to all IGTs in their DN area.

Ofgem understands that:

- ◆ the contractual arrangements will continue in the new divested gas industry structure in the short to medium term as Transco NTS has made available to all DNs the necessary IT systems to update existing pipeline records;
- ◆ all DNs will continue to update and make available their pipeline data to statutory undertakers, IGTs and ICPs including records of service pipes with an internal diameter of 50mm and above; and
- ◆ all DNs will maintain records of pipeline data provided by IGTs in their DN area. The existing DN pipeline data indicates the existence of an IGT network at a particular location and the identity of the IGT. However, to obtain IGT pipeline data, the interested party has to contact the relevant IGT.

Ofgem's concerns

Ofgem is concerned that:

- ◆ If Ofgem was to appoint a DRP(s) the existing DRP licence conditions do not oblige a DRP(s) to record and provide records of 50mm and above service pipe data. However this data in practice is required by parties that undertake connection works within a DRP's area;
- ◆ the existing contractual arrangements may not be the optimum method of ensuring the integrity of gas pipeline data. That there may be insufficient incentives on parties to provide pipeline information to DNs in a timely and accurate manner, is indicated by the inaccuracies reported by ICPs and IGTs not being isolated incidents and having been identified across all DN networks, indicating a potentially widespread problem; and

- ◆ DNs and IGTs may choose to opt out of the contractual regime at short notice.

Views invited

Ofgem invites views on the following issues:

- ◆ Should Ofgem appoint a DN(s) as a DRP(s) or are the existing industry contractual arrangements fit for purpose?
- ◆ Is it appropriate to amend the scope of the relevant DN DRP licence conditions to include the recording and provision of all service pipes with an internal diameter of 50mm or more?
- ◆ At this stage Ofgem has not identified any additional costs that would result from appointing a DRP(s) Ofgem invites DNs and stakeholders to provide cost estimates in their responses to this document.

2 Accuracy of Pipeline Records / Mains location Process

Background

A number of IGTs and ICPs have expressed concerns to Ofgem that inaccurate pipeline records impact on their ability to complete connections within budget as quoted to customers. In some cases, it may not be possible to complete works if a pipe / main cannot be located which can lead to delays, increased costs and dissatisfied customers. IGTs / ICPs have also informed Ofgem that further difficulties arise where the pipe material / diameter found on site differs from the DN records.

Before the sale of several of its gas distribution networks, Transco discussed with ICPs and IGTs, and shared with the new DN owners, a mains location process. Ofgem understands that all DNs will implement the mains location process as it supports the final connection agreement contracts that were novated to all DNs. A go live date for the Independent Distribution Networks (IDNs) is yet to be confirmed, however, Ofgem understands that Transco, has following consultation, notified implementation of the mains location process for 1 September 2005.

The mains location process seeks to establish a mechanism for resolving disputes that arise when an IGT / ICP undertaking physical works is unable to locate the relevant gas pipes / mains. That is, the physical location of the gas pipe / main does not correspond with the location details provided by and illustrated on the DN's pipeline maps. The mains location process sets out the steps an IGT / ICP should follow to locate the relevant pipe / main and agree any compensation that may be paid by the DN to the IGT / ICP to cover a reasonable level of costs incurred in accordance with the contract terms.

It is generally recognised by the majority of industry participants that records of cast iron pipes / mains may not be accurate for a number of reasons, for example, due to lost records. However, for newer Polyethylene (PE) pipeline systems, for example, which have only been laid since the 1970s, some IGTs / ICPs suggest that fewer inaccuracies should exist. The industry has discussed whether a different compensation regime should apply where newer PE pipeline

records are found to be inaccurate. Ofgem understands that the industry has yet to reach firm conclusions in this respect.

Ofgem's concerns

Ofgem is concerned that:

- ◆ inaccurate pipeline records may adversely impact upon IGTs / ICPs ability to carry out final connections in an economic and efficient manner, which may restrict the development of competition in this area.

Views invited

Ofgem invites views on the following issues:

- ◆ Whether and in what circumstances compensation should be payable to IGTs / ICPs when inaccurate pipeline records result in additional costs / delays to complete physical works?
- ◆ What measures could usefully be put in place to improve the accuracy of pipeline records?

Next Steps

Ofgem Workshop

To inform the consultation process Ofgem proposes to hold a workshop on Wednesday 14th September 2005. Please confirm by 5 pm on 7^h September 2005 whether you wish to attend this workshop.

Ofgem decision document

Ofgem proposes to publish a decision document in October 2005. Ofgem's decision may include a formal DN licence consultation if Ofgem decides that it is appropriate to proceed towards modification of the existing DRP licence conditions.

Yours sincerely,

Roger Morgan
Gas Connections, Policy Manager