



Distribution Network Owners,  
Independent Gas Transporters  
and other interested parties

*Promoting choice and  
value to customers*

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Dear Colleague

## **Decision letter – Designated Registrar of Pipes licence conditions / Accuracy of Gas Pipeline Records**

### ***Purpose of this letter***

This letter sets out Ofgem's decision on whether it is appropriate to appoint a Designated Registrar of Pipes (DRP) under Standard Special Condition A49 of a gas transporters licence held with respect to a gas distribution network (GDN Licence). This letter:

- ◆ provides background information including a description of Ofgem's August 2005 DRP consultation and September 2005 Workshop; and
- ◆ sets out the views of respondents to Ofgem's consultation and provides where appropriate Ofgem's decisions / views. In reaching decisions and formulating our views, we have taken into account, responses to the August 2005 consultation, discussions in Ofgem's workshop and correspondence submitted by Independent Connection Providers which set out the difficulties arising from the provision of inaccurate pipeline data.

### ***Background***

#### **Ofgem's Consultation**

In August 2005, Ofgem published its consultation letter titled 'Designated Registrar of Pipes Licence Conditions / Accuracy of Gas Pipeline Records.' The consultation discussed two main issues:

- ◆ the current DRP licence conditions (Standard Special Condition A49 - Standard Special Conditions A51 of the GDN Licence); and
- ◆ the difficulties that have been brought to Ofgem's attention by a number of Independent Connection Providers (ICPs) and Independent Gas Transporters (IGTs) concerning the provision of inaccurate pipeline data by GDN licensees.

The consultation sought views on the following questions:

- ◆ Is it appropriate to appoint one or more GDN(s) as a DRP(s) or are the existing industry contractual arrangements fit for purpose?
- ◆ Is it appropriate to amend the scope of the DRP licence conditions to include the recording and provision of all service pipes with an internal diameter of 50mm or more?
- ◆ Whether and in what circumstances compensation should be paid to ICPs / IGTs when inaccurate records results in additional costs / delays to complete connections works?
- ◆ What measures should be put in place to improve the accuracy of GDNs pipeline records?

### ***Ofgem's Workshop***

On 14 September 2005, we chaired a workshop which was attended by over thirty industry stakeholders. The purpose of the workshop was to discuss the issues set out in our consultation and to invite views on the next steps / way forward. The Workshop did not identify a clear way forward so we requested that industry stakeholders submit their responses to the issues set out in Ofgem's consultation. The workshop discussions are summarised below:

- ◆ there was no consensus on what steps and measures should be taken to improve the accuracy of pipeline records;
- ◆ the majority of workshop attendees did not support appointing a DRP and suggested that a DRP would not improve the accuracy of pipeline records;
- ◆ two ICPs suggested that they no longer compete in the final connections market due to their inability to recover costs incurred as a result of the provision by a GDN of inaccurate pipeline data; and
- ◆ a number of attendees suggested that weaknesses exist in the industry processes that are currently in place for updating pipeline data, which results in delays in updating GDNs' records.

### ***Views of respondents to consultation issues***

We received responses on the consultation issues from a number of industry stakeholders. The main points raised by respondents and Ofgem's decisions / views are set out below.

#### ***Appoint one or more GDNs as a DRP(s)***

The majority of respondents to Ofgem's consultation did not support the appointment of a DRP and suggested that appointing one or more GDNs as a DRP(s) would not improve the accuracy of pipeline data. A number of respondents explained that appointing a DRP would lead to additional costs being incurred by the industry with little benefit.

## ***Ofgem's Decision***

We have decided that it is not appropriate:

- To appoint one or more GDNs as a DRP(s); or
- Amend the DRP licence conditions to include the recording and provision of all service pipes with 50mm and above internal diameter.

The main focus of our consultation was to seek views on whether it is appropriate to continue with the existing industry contractual arrangements for maintaining pipeline data or whether the Authority should consider appointing a DRP. Ofgem notes the concerns expressed by industry participants about the accuracy of GDN pipeline data under the existing industry contractual arrangements. However, we agree with respondents that the appointment of one or more GND(s) as a DRP(s) under the DRP licence conditions will not improve the accuracy of pipeline data and will not solve the key issues outlined in Ofgem's consultation.

Given that we do not intend to appoint a DRP under the DRP licence conditions, we do not propose to amend these licence conditions to include the recording and provision of all service pipes with 50mm and above internal diameter. Ofgem understands that this information is provided through the current contractual arrangements and will continue to be provided by GDNs to support the safe operation of connections works.

We, nevertheless, consider that it may reasonably be expected that GDNs provide accurate pipeline records to support connections work. In light of the problems brought to Ofgem's attention, and in the absence of a clear way forward, we expect to consider this matter further during the Gas Distribution Price Control Review.

## ***Compensation payments***

A number of respondents support the payment of compensation to IGTs / ICPs where inaccurate pipeline records results in additional costs / delays to complete physical connection works.

Some respondents added that the majority of connections proceed smoothly and efficiently. However, inaccurate records either related to the pipe diameter or material, can lead to delays to complete works, resulting in significant extra costs being incurred. Ofgem has also received examples of cases provided by ICPs where costs incurred may not have been covered by the compensation provided by GDNs under the mains location process.

A number of respondents refer to the mains location process that was implemented on 1 September 2005 by National Grid Gas, and subsequently adopted by the GDNs.

## ***Ofgem's Views***

Ofgem is concerned that connections work is often unable to go ahead as planned due to pipes that cannot be located, found to be in a different position or are of a different material / diameter when compared to the GDN's pipeline records. It is important to ensure, that in such circumstances, it is clear who is responsible for such errors and that connections works should not be subject to inappropriate delays while liability issues are resolved.

Ofgem considers that it is appropriate for IGTs and ICPs to be compensated where it is proven that costs have been incurred due to the provision of inaccurate pipeline data by a GDN. However, we expect ICPs / IGTs to also act reasonably, for example, when attempting to locate gas mains.

We invite the GDNs to consider the concerns raised in relation to appropriate compensation payments. In particular, we invite the GDNs to consider whether the mains location process may be enhanced by allowing for compensation to be determined on a case by case basis in certain exceptional circumstances. This may go some way to ensuring that the level of compensation takes account of size and complexity of particular works.

### ***Measures to improve the accuracy of pipeline data***

A number of respondents commented on the industry processes that have been put in place to improve the recording of pipeline data and to enable the correction of data where inaccuracies are found on site. The HSE in its representation explained that it has concerns about the accuracy of some GDNs' pipeline data and has made it clear to that the quality of these records needs to improve. The HSE also expressed concerns about the accuracy of legacy information and that work needs to continue to remedy this situation.

### ***Ofgem's Views***

Ofgem expects all parties that undertake connections work to ensure that, where appropriate, accurate records are recorded and provided in a timely manner to GDNs. Ofgem notes that the HSE is working closely with GDNs to improve the accuracy of their pipeline records. Going forward Ofgem will also work closely with the HSE to the extent that Ofgem can help address any concerns that it might have in this area.

### ***Way Forward***

As discussed above Ofgem does not propose to appoint a DRP as we do not think that a DRP will resolve the issues set out in Ofgem's August 2005 consultation.

Ofgem will consider whether it is appropriate to look closely at strengthening the incentives on GDNs to provide accurate pipeline records through the Gas Distribution Price Control Review (GDPCR) Ofgem envisages further discussion in this respect through our GDPCR outputs workstream.

If you wish to discuss any aspect of this decision please do not hesitate to contact me using the above contact details.

Yours faithfully

Roger Morgan  
**Senior Manager, Connections Policy**