

## **Balfour Beatty response to Ofgem Gas Distribution Price Control Review Updated Proposals Document (issued 24<sup>th</sup> September 2007)**

### **Response to chapter 3**

#### **Investment in apprenticeship schemes (section 3.37)**

Ofgem is proposing investment of £68m for apprenticeship programmes over the price control period, however we believe it is would also be appropriate for an allowance to encourage and support contractor apprentice schemes which have typically lagged behind the GDN programmes. The proposed contractor allowance makes no allowance for this extra over investment in this area of the workforce, a resource pool which Ofgem has identified as necessary to supplement the GDN's resources.

### **Response to chapter 4**

#### **Real growth in contractors rates**

Ofgem are proposing an allowance of 2 per cent in real terms for growth in contractors rates. We feel this is restrictive when compared to the forecast labour cost increases due to the growth in infrastructure investment in the utilities sector and the forecast shortage of resources over the price control period.

#### **Abandonment ratios**

Although an average abandonment ratio of 1:1.05 has historically been achieved this figure will be difficult to sustain over the price control period with a drive for increased use of no-dig solutions requiring on-line one for one replacement. The first choice solution is a no-dig insertion technique to enable us to minimise customer disruption, improve productivity and reduce replacement costs. To exceed the 1:1 abandonment ratio requires that many streets can be rationalised by installing a single main where there are currently 2 mains. With the drive to increase the amount of no-dig it will become harder to justify this '1 for 2' replacement regime and thus drive the ratio closer to 1:1. This is particularly apparent within the congested urban areas where much of the repex work is being undertaken.

With the potential to introduce pipe rehabilitation techniques a key factor in proving the economic argument for this is 1:1 mains replacement. We would therefore not wish to see the desire to attain a higher abandonment ratio discourage such innovation over the price control period.

## **Response to chapter 5**

### **Changes to Quality of Service arrangements**

#### **Unplanned Interruptions (section 5.3 / 5.19)**

We support the proposal to include non domestic customers in the 24 hour restoration of service standard.

#### **Reinstatement of Customer Properties (section 5.22)**

The current standard for completing reinstatements within D+10 is proposed to be reduced to D+5. Although this is clearly the right thing from a customer service perspective it could increase costs where special backfill materials are required or for customers in remote areas. Currently these would be bulked together to minimise material wastage and maximise efficiency. As a business we are already looking at changing our processes to beat the current standard however we envisage that this change can not be fully achieved by the beginning of the price control period and we would like to see a phased introduction of the new standard.

#### **Notification of Planned Supply Interruptions (sections 5.7 / 5.24 / 5.25)**

Current practice requires advance notification of at least 5 working days of a planned interruption with no requirement to identify when the interruption will begin. We feel that this proposal does not take account of site practicalities which often only come to light once the works have commenced and the main is exposed. We believe that through proactive customer communication we can maintain the desired high levels of customer satisfaction without the need to make the notice time bound. Should Ofgem insist on setting a timeframe then a 20 day period within which to commence the interruption would be a more pragmatic approach. A phased approach to implementation would be preferable with the aim of reducing this period to 15 days. The introduction of a penalty for not commencing the supply interruption within 7 days would we feel be counter productive for customer service. Such an approach may discourage the use of live insertion where the timeframe for interrupting each customer is not certain at the outset.

Some replacement schemes require two disconnections for the customer – one relay and then a transfer. No provision has been made for where the second such interruption occurs outside this window and it would add to the cost to have to reserve a notice.

Also considering the recent round of postal strikes we would wish to see an exemption where the original or revised notification could not reasonably have been delivered.

#### **Response to Complaints (section 5.26)**

Ofgem are proposing that a substantive response should be provided within D+10 and D+20 days where a site visit is required. Where a site visit is required we feel it will be very difficult to provide a firm date for a substantive response to be despatched given the need to visit site and investigate prior to providing a substantive response. We would

support the existing D+10 standard in both cases in the interest of the customer, rather than relaxing the standard to D+20 in some instances.

We would suggest that a substantive response would exceed an acknowledgement and include reference to the specific site and what is being done to investigate the complaint. However it would be acceptable to meet the D+20 with a holding response where the response clearly sets out what investigation has been carried out and why further time is required to make the response 'substantive'.

## **Response to chapter 6**

### **Allocation of purge & relight costs to service costs (section 6.16)**

Ofgem are seeking views on whether their proposed methodology is appropriate for recovery of purge and relight costs. This response to be developed.

### **Investment in Research and Development**

Ofgem is proposing to allow £60m for research & development over the price control period. Balfour Beatty support this investment and would like to see financial support for contractor led R&D which has the potential to deliver efficiency savings that would benefit the whole industry.

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19<sup>th</sup> October 2007

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