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Ayesha Uvais  
Ofgem

14 February 2008

## **Re: Amendment to the Gas (Standards of Performance) Regulations 2005**

Dear Ayesha,

Thank you for the opportunity to respond to Ofgem's proposals to introduce revised standards of performance applicable to gas transporters. This response is provided by Envoy on behalf of Independent Pipelines Limited (IPL) and Quadrant Pipelines Limited (QPL). We are disappointed that the early stages of the consultation were included within the Gas Distribution Price Control Review and would suggest that any future review should take place independently of any other discussion.

There are a number of areas within the proposed amendments to Regulation 7 (Supply Restoration) outlined in Annex 1 of Ofgem's letter dated 17 January 2008, that we feel require further clarification:

**A1.6.** *We are proposing to amend the supply restoration regulation to include small non-domestic customers consuming not more than 73,200 kwh per annum, remove the exemption for third-party and water ingress interruptions and exclude interruptions where more than 30,000 customers are affected. Small non-domestic customers would receive a payment of £50 for each 24-hour period until their supply is restored. We would expect larger non-domestic customers (consuming greater than 73,200 kwh per annum) to continue to receive at least the same overall levels of payments for supply interruptions through the UNC provisions.*

- Clarification is required as to how "small non-domestic" customers would be effectively identified. There are significant numbers of customers across our networks that are being supplied under business tariffs, yet are identified as domestic properties on our systems. We would like to see this concept developed to protect GTs from making spurious increased payments and would suggest that Shippers be obliged to provide suitable evidence that the affected premises are registered for business purposes.

Envoy is seeking further clarification on the proposed responsibilities for paying compensation following loss of supply. We feel that any ambiguity needs to be removed in order that customers receive compensation within the prescribed standards, and that the liable GT is correctly identified and aware of its obligations within any potentially complex set of circumstances:

**A1.8.** *Where an interruption on one network affects customers connected to another GT's network, the GT to whose network the customer is connected will initially be responsible for making payments to that customer for any failure to restore. This GT will be able to claim an exemption if the interruption originated on another GT's network. Where the GT to whose*

network the customer is connected wishes to claim an exemption on this basis it must notify the other GT and provide appropriate information within five working days.

- Does the right to claim an exemption apply where third party interference damage on another GT's network was the origination of the loss of supply? Are there any circumstances under which an exemption may not be claimed?

**A1.11.** *The GDNs have raised the issue of what happens if a supply interruption originated on their network, they restore supplies to the boundary of their network before compensation becomes due, but the other GDN or IGT fails to take the appropriate steps to restore the customer's supplies. They are concerned that they may still be liable to pay the full compensation. We consider that in such instances the customer should be paid the compensation by the GT on whose network the supply failure occurred, but there should be a mechanism for some or all of the compensation to be recovered from the other GT if they are partly or wholly responsible for the failure under the standard.*

- While the GDN's concerns seem reasonable, the mechanism referred to by Ofgem should take into account the reasons for the further GDN or iGT failure, which could include them not being informed of the loss of supply. We would suggest that the GDN on whose network the interruption originated be obliged to make all reasonable efforts to inform any connected network operators as soon as possible.

**A1.12.** *We propose to amend standard condition 20 of the GT licence so that GTs who are liable to make payments under the supply restoration standard can recover all or part of these payments (including financing costs) from another GT where that other GT is fully or partially responsible for the failure.*

- We support this approach but again question how this would be applied in the case of third party interference damage that affects customers on a further "downstream" GT's network. Would this amendment allow the "downstream" GT to recover the payments from the GT on whose network the damage occurred, taking into account the possibility that there may be no contract in place between that GT and the person or persons who caused the damage?

**A1.10.** *Under our proposed amendment to standard condition 20 of the GT licence, which we will include in the statutory licence consultation which we intend to publish in mid February 2008, the GT can satisfy the requirement to make a payment to the customer or the other GT by making a payment to the relevant shipper.*

- Envoy fully supports this amendment. We do not hold customer details and that in the event of compensation owing through loss of supply we would invariably only be able to make the payments via the relevant Shipper or GT.

If you would like any further information, or to discuss any aspect of this representation further please do not hesitate to contact me.

Yours sincerely,

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