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RPI-X@20 Consultation
Ofgem
2nd Floor
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Dear Ofgem

RPI-X@20 Consultation

HSE welcomes Ofgem's commitment to the regulatory principles of transparency, accountability, accessibility and proportionality which have driven the proposals for a new regulatory framework. We also very much welcome your commitment to delivering a safe, secure and reliable network.

We note with interest the vision for rewarding effective and efficient delivery with 'a lighter touch regulatory approach' and would welcome further discussions on the principles and practice for delivery of this vision.

We support recognition of the role of stakeholders in the price control review and the proposal to provide greater opportunity to influence Ofgem and network company decisions. We are encouraged that there is specific reference to the role of HSE and keen to build upon recently enhanced working relations to proactively contribute to planned price control reviews.

Again we would welcome further detail or discussion on the proposals for third party challenge through the modification reference and how that may impact on existing arrangements for pricing structures related to safety and asset replacement issues.

The focus on an output led approach complements HSE's strategic goals to encourage strong leadership and measurement of health and safety performance, with the objective of reducing risk. We would be willing and keen to work with Ofgem to define output measures on safety based on our work on performance indicators with these industries.

The suggested extension of the price control period is welcome as is the commitment to delivering long term value for network services. In our

experience much of Britain's electricity distribution network is ageing and some is working beyond its envisaged working life, potentially endangering workers and the public. Asset replacement programmes should be targeted on reducing risk and programmes to maintain assets should reflect the increasing cost of maintenance and condition monitoring for assets working beyond their design life.

We suggest it may be worth considering the scope of further extensions to encourage longer-term and sustainable considerations for network development. This includes the need for growth in skilled resources and competence at all levels in the industry and large asset bases requiring long-term replacement programmes.

Whilst HSE would support the option to give third parties a greater role in delivery, this should be supported by clearly defined ownership and responsibility for safety management. Our experience is that large scale outsourcing can result in a decreasing safety performance and that ownership and responsibility for ensuring safety is blurred particularly at the interface when a large number of parties are involved.

We would welcome the opportunity to explore how HSE could explicitly support the innovation stimulus package, perhaps with a governance and assessment of bids. If safety issues are addressed and explicitly included as part of the bid process it will encourage a greater uptake of worthwhile innovations and reduce the potential for proposals to falter due to safety concerns at a later date. Our experience is that 'costs of safety' if addressed at the initial stage are much lower than if safety is bolted on afterwards.

We hope that you find these comments useful and look forward to working with Ofgem in taking forward this new approach.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. R. Brown', with a long, sweeping underline.

Peter Brown
Head, WERG
Health and Safety Executive.