



Gas Distribution Network Operators,
Energy Networks Association,
CO Working Group members
Other interested parties

*Promoting choice and value for
all gas and electricity customers*

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Dear Colleague

Update on GDN work on Carbon Monoxide safety and way forward

This letter sets out the work that the Gas Distribution Networks (GDN) have been doing since 2008 to address the risk of Carbon Monoxide (CO) poisoning and the proposed way forward for their initiatives. We would welcome views on the contents of this letter from interested parties.

CO is a colourless and odourless gas that is produced when burning carbon based fuels. It is highly dangerous because it is normally undetectable. If present in breathed air, even in small quantities, CO can cause death, acute injury or chronic health problems. Faulty appliances, incorrect usage or poor ventilation conditions can cause appliances to produce high levels of CO and these have the potential to contaminate air in properties.

According to the HSE statistics, around 20 people die each year from CO poisoning. There are also significant numbers of short and long term injuries caused by CO. Increasing public understanding of the risks of CO poisoning could dramatically reduce the number of these tragic incidents.

During the last Gas Distribution Price Control (GDPCR1), Ofgem gave consideration to whether CO could feature more prominently in the GDNs' core gas emergency service¹. During consultation, there was support for GDNs doing more on CO safety and therefore Ofgem set up a working group to encourage the GDNs, Gas Transporters and other stakeholders to consider a range of CO initiatives and to formulate specific, costed proposals that could, if appropriate, be considered by Ofgem for funding through the price control mechanism.

Outcomes from the CO Working Group

The CO Working Group convened in April 2008. Following a number of meetings, it proposed a number of initiatives in March 2009. One proposal, the design and production and wide distribution of a CO leaflet covering all fossil fuels, was funded and implemented by the GDNs and the ENA in late 2009.

As a result of CO Working Group recommendations, in February 2010 GDN/ENA submitted to Ofgem further proposals to undertake a variety of CO related trials and initiatives. The proposed trials encompass a variety of methods for protecting customers from CO poisoning, including:

¹ This activity is defined and shaped by the Gas Safety (Management) Regulations 1996 and the Gas Transporters' licence requirements to make safe and carry out certain work following a natural gas or CO related gas emergency.

1. using GDN first call operatives (FCO) to personally issue and install CO alarms to customers identified as vulnerable during emergency work;
2. posting CO alarms to customers identified as vulnerable on priority services registers, etc.;
3. working with the local Fire and Rescue Services (FRS) to issue CO alarms on FRS Home Safety Visits and at FRS shopping centre events.

Providing trials of this nature are well structured, they should help us reach a decision on what role the GDNs should play in CO safety in future and what programme costs should be covered by the new price control arrangements (RIIO-GD1) that will come into effect in April 2013. Learning from these trials should complement the information the industry is also gathering through Scotia's initiative to equip first call operatives with personal atmosphere monitors (PAMs) that detect the presence of CO in customers' premises.

GDNs have brought these proposals to us to understand what funding might be available for carrying out the initiatives. The costs for the proposals ranged between £126k and £952k for specific time limited trials and £2m for a more extensive 4 year trial roll out of CO alarms to all vulnerable customers in one GDN area. The GDN proposals are summarised in more detail in the attached Appendix 1.

We are keen to see a range of trials of this nature go ahead as soon as possible and believe they could be instrumental in providing learning about the best approach for GDNs to take in CO awareness. However we do not think that the cost of these trials is sufficiently material to warrant funding through an adjustment to the allowed revenues² of the companies under current price control arrangements.

Instead, we will consider rewarding companies through the Discretionary Reward Scheme (DRS) if, through the trials, they are able to inform the policy position and funding requirements for the next price control period. In this way, customers will only pay towards the cost of these trials if there is evidence that they have brought benefit to customers and/or if they bring forward learning that helps to formulate the way forward. Similarly, there may be scope for the GDNs to use funding already provided through the Innovation Funding Incentive (IFI)³ for this purpose. Given the scale of the cost of these trials in the context of the overall allowed revenues of GDNs, we do not consider it to be unreasonable for the GDNs to proceed with the trials on this basis.

Below we explain further the DRS and our track record in rewarding companies for CO initiatives through this mechanism, before addressing the way forward.

Rewarding GDN work on CO through the Discretionary Reward Scheme

Since 2008 we have had a Discretionary Reward Scheme in place that can make rewards totalling £4m annually to GDNs for the work they do on gas safety and other matters (including environmental and fuel poverty issues). GDNs' efforts on CO related issues were rewarded in both the 2008/09⁴ and 2009/10⁵ DRS award rounds, with a total of £1.1m awarded to companies so far for CO initiatives. These initiatives predominantly relate to raising CO awareness amongst particularly vulnerable groups (such as student groups and the elderly), but Scotia's initiative to equipping emergency and repair staff with PAMs has also been rewarded.

The 2009/10 DRS panel recommended that GDNs should seek to include all relevant information within their applications and endeavour to quantify the benefits of (or valuable learning gained) from their initiatives by including measurable outcomes for their projects. Whilst any proposal

² Approx. Average Annual Allowed Revenues: NGN: £290.3m ; SGN: 669.6m ; WWU: 267.3m ; NGG: £1,243.3m

³ <http://energynetworks.squarespace.com/innovation-funding-incentive-i/>

⁴ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=223&refer=Networks/GasDistr/QoS>

⁵ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=Info%20Note%20-%20Discretionary%20rewards%202009.pdf&refer=Media/PressRel>

submitted in the future will be judged on its overall merits, GDNs that address these points will increase their chance of a successful application.

The 2010/11 and 2011/12 Discretionary Reward Schemes will again each make available a total annual reward of up to £4 million across all GDN groups covering:

- Initiatives which reduce the environmental impact of gas distribution, including those that reduce shrinkage;
- Initiatives which facilitate network extensions, particularly those that increase the affordability of network extensions for fuel poor consumers; and
- Schemes to promote gas safety, including awareness of the dangers of carbon monoxide.

It is for the discretion of the DRS panel to decide how to allocate up to £4m across these three categories. If a number of excellent projects on gas safety are submitted, they may be persuaded (as they were in 2009/10) to skew the rewards available towards gas safety initiatives.

Way Forward

We strongly encourage the GDNs to implement a cross section of their proposed trials and to begin this work in the next few months. If this learning is to feed into the new price control arrangements, by spring 2012 the industry needs to have gathered sufficient data to understand the costs, benefits and practical issues associated with different approaches to providing CO alarms to customers.

We urge the GDNs to consider other sources of funding (such as the DRS and IFI) that are available to them, rather than relying on an increase in allowed price control revenues to fund these relatively low cost initiatives. We are encouraged by initial feedback that some GDNs may consider implementing their proposed trials on the basis that there is scope to be rewarded for this work in a commensurate way through the DRS or other channels.

Finally, we consider that continuing with these initiatives, in conjunction with work the industry is doing jointly as part of the RIIIO-GD1 Customer and Social Issues Working Group, should assist GDNs to prepare for and putting forward further well justified CO proposals in their business plans for the next price control period.

We would welcome the views of GDNs on whether this provides them with sufficient encouragement to proceed with a cross section of their proposals and if not, whether there is anything further we could do.

If you have any comments on the views expressed in this letter, please send them to Steve Brown using the contact details provided at the top of this letter.

Yours faithfully



Rachel Fletcher
Partner, Distribution

Appendix 1 Matrix of GDN CO Proposals

	Description of GDN proposal	Type and number of target recipients	Method of Delivery	Estimated Cost	Identified issues
Wales & West Utilities (WWU)	Free issue of CO alarms Trial only	Supplier PSR database 10,000	Via Mid West Fire & Rescue (F & R) Service Home Safety visits and by post via external fulfilment company	£130,000	Product fault recall Alarm not used Alarm given to non-mains gas user Already possess alarm Reliance on alarm instead of appliance servicing Increased no of CO related emergencies Insufficient alarms to meet demand
Scotia Gas Networks (SGN)	Free issue of CO alarms Pilot study Full implementation	Supplier PSR database 14,200 (10% of SE & So) 218,000 (Sc, SE & So)	By post via external fulfilment company Delivered in CO awareness week 2011	£184,000 £2.864m	Fault replacement Already possess CO alarm Increased no of CO emergencies Obtaining PSR data (DPAct)
National Grid Gas (NGG)	Free issue of CO alarms 12 month trial in East of England Network	Vulnerable customers and installations as identified by FCO during emergency work 45,000	Issue of alarm and training of customer by FCO	£952,000	Increased no of CO emergencies Increased on workload of FCOs
Northern Gas Networks (NGN)	Free issue of CO alarms Joint NGN / Fire & Rescue awareness events 4 year programme	General public 150,000 Local Authority/Primary care Trust lists Student accommodation CORGI/Gas Safe Register / DIDR / RIDDOR based CO Hotspot postcodes F & R Service identified customers 42,000 per annum over 4 yrs	10 Shopping centre events/annum 18,000 F&R home visits/annum F & R Services with backup via external fulfilment company	£240,000 £0.5m/annum for 4 years	Dependency on F & R Service co-operation Alarm not used Availability of NGN staff Fault replacement Increase in CO emergencies Obtaining vulnerable customer data (DPAct)