

# Press Release

6 July 2012

## OFGEM ANNOUNCES £375,000 FINE ON WALES & WEST UTILITIES (WWU)

- **Ofgem sends clear message about the importance of ensuring processes are adequate to provide accurate & timely regulatory reporting**
- **Financial penalty reflects WWU's work to improve its systems and its cooperation with Ofgem's investigation**

Ofgem has today announced its intention to impose a fine of £375,000 as a result of its investigation into misreporting by WWU relating to its iron gas pipes decommissioning and associated replacement programme.

The purpose of the iron gas pipes decommissioning programme is to reduce the risk associated with certain iron gas pipes. Each Gas Distribution Network Operator reports annually on how many metres of pipes it has decommissioned and, based on this data, it receives part of its funding as set out in the price controls.

Ofgem requires companies, as part of their licence conditions, to deliver timely and accurate data on their performance. In this case WWU has been found to have breached this condition on three occasions between 2006 and 2009, where WWU voluntarily informed Ofgem that it reported slightly higher levels of decommissioning than it had delivered. The errors related to four separate projects. Ofgem found that these failures indicated that WWU's systems, processes and procedures did not fully meet the high standards needed to ensure accurate reporting.

WWU has advised Ofgem that it has carried out its own thorough investigations and assurance procedures and it has assured Ofgem that it considers it has taken all reasonably practicable steps to establish whether there are any further instances of misreporting, and found none. Ofgem will take a very serious view of any further instances of misreporting that may, despite WWU's assurances, come to light. WWU has also told Ofgem that it has improved its systems and it considers that it now has systems in place to ensure accurate reporting in accordance with its licence.

It is important that companies should have adequate systems to avoid misreporting and Ofgem has decided to impose a financial penalty of £375,000 on WWU in respect of this failure. This fine would have been higher had it not been for WWU's willingness to engage and co-operate with us on this investigation.

Ofgem's Senior Partner in charge of enforcement Sarah Harrison said: "Having robust systems in place to ensure accurate reporting is very important and the decision to impose a penalty sends a clear message to the industry about the importance of providing Ofgem with accurate data. We welcome the processes WWU has now put in

place and their cooperation throughout the investigation and this has been reflected in the level of fine, which would have been much higher had this not been the case.”

- ends -

#### **Notes to editors**

1. The penalty notice for Ofgem’s decision can be found at:  
<http://www.ofgem.gov.uk/About%20us/enforcement/Investigations/CurrentInvest/Documents1/WWU%20Penalty%20Notice.pdf>
2. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

#### **For further press information contact:**

**Lisa O’Brien 020 7901 7426**

**Lydia Fitzpatrick 020 7901 7419**

**Chris Lock: 020 7901 7225**

**Mark Wiltsher: 020 7901 7006**

**Out of hours contact: 07774 728971 or 07766 511470**