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Ofgem
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Dear Nick,

Status of assets Downstream of Primary ECV on Primary/sub-deduct networks.

We are contacting you concerning the above note from Transco on prime and sub ownership. As I am sure you recall, we have asked for some specific guidance from Ofgem over the ownership and responsibility of the pipe network and assets downstream of the Primary Emergency Control Valve (ECV) in a prime/sub-deduct configuration.

We note that Transporters have communicated their belief that they do not have any responsibility for pipe networks downstream of the primary ECV. We disagree with this and have set our views on the situation below.

Rationale

- Prior to privatisation the transportation network was owned by, and was the responsibility of, British Gas. As far as we can tell, there has been no transfer of any assets to customers either individually or wholesale. This implies that the pipework downstream of the primary ECV is still owned by the heirs to British Gas; either the Transporters or Centrica. As this pipework has been in continual use for a substantial period of time, ownership of these assets cannot be simply abandoned.

If this is the case then the licence obligation is a moot point; the Transporters have responsibility for their property, no matter where it is located.

- The prime and subs database explicitly includes the information on the location and setup of sub-deduct sites, in the same manner as sites directly connected to the network. Standard Condition 5 of the transportation licence specifies this requirement. There is no corresponding requirement for the Transporters to maintain a database of supply points on iGT networks. Xoserve also bills suppliers for each sub-deduct site individually, rather than as an aggregate as it does iGTs with CSEPs),

Taking this separate billing and record-keeping into account, there is an implicit relationship, and hence an implication of ownership, between the Transporters and sub-deduct sites contrary to their current stated position.

- The installation of new Sub-deduct arrangements is currently prohibited so all current primer/sub-deduct arrangements have been in situ for some length of time, most since before privatisation. These networks have been maintained



since they were installed and we would presume that Transporters have undertaken this work without the knowledge of consumers and Shippers, as it does on the rest of its network. This again implies ownership of such pipework by Transporters.

Issues with consumer Ownership of sub-deduct networks.

Our comments above notwithstanding, if this is not the case and Transporters are correct in their assumption then we have the following issues:

- At present Transporters provide an emergency service to all consumers that are connected directly to their network. They also extend this service to iGTs via service contracts. However sub-deduct customers are not covered explicitly by any such contract and as Transporters claim their responsibility ends at the primary ECV, these customers are not formally covered by any emergency provision, except by Transco disconnecting such customers at the primary ECV. This would of course unduly disconnect customers that have no supply problems.

We acknowledge that Transco currently does cover such sites on a goodwill basis at present. We do not feel that goodwill is sufficient to ensure that customers are protected which is why license conditions are imposed on Transporters to provide such services to other customers. This goodwill can also be withdrawn at any time. This is more likely to incur in the fully competitive, multi-transporter environment

- If the site sub-deduct premises are owned by separate customers, then the gas that is transported between the primary ECV and the sub-deduct ECV must be transported by a transporter – in the same fashion as iGTs must do so from a CSEP to their customers. If the site owner does not own a gas transportation licence (unlikely), then they are unwittingly committing a criminal offence,
- As stated above, if a Transporter's responsibilities end at the Primary ECV, then there are a significant number of site owners who have responsibility and ownership of micro transportation networks. As these owners are currently not covered by the obligations placed upon Transporters, these sites may not maintain these networks adequately, thereby jeopardising safety. We acknowledge that such owners should have transportation licences if required, but at present none do so and consumer safety is being put at risk by this unlicensed arrangement.

Summary

We have serious concerns over the current status of sub-deduct networks in the current regulatory framework. We do not agree with the Transporters' assertion that sub-deducts are not their property or responsibility simply because there is a lack of a specific licence condition explicitly obliging them to manage them. As we have stated above, we feel this pipework is their property so they have responsibility from that perspective – irrespective of the asset's physical location in regard to the primary ECV.

We therefore urge Ofgem to investigate our concerns and communicate to the



industry a definitive position on these sites. Until this is done consumers and shippers will continue to be exposed to potentially serious cost and safety issues.

Your Sincerely

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