

December 1999

**The Priority Gas Customer  
Arrangements (PGCA)**

**Additional Consultation  
on Emergency Procedure**

## Summary

In July 1999, Ofgem published a Consultation Document<sup>1</sup> proposing changes to Standard Condition (SC) 18 of the Public Gas Transporter (PGT) Licence which deals with Emergency services and obligations.

The existing industry arrangements for dealing with supply emergencies already assign precedence to ensure (so far as it is safe to do so) the continuation of the supply of gas to small customers (i.e. domestic users together with all users consuming below 732,000 kWh per annum), but the arrangements for larger customers were less clear. Ofgem's intention was to provide a means of safeguarding, so far as it was safe and practicable to do so, the supply of gas to certain categories of large volume users (e.g. hospitals) during such an emergency. The proposed changes to SC 18 were an essential aspect of the work carried out by the Department of Trade and Industry (DTI) on gas contingency planning - referred to as the Priority Gas Customer Arrangements (PGCA) – which has the support of Ofgem.

The Consultation Document proposed a number of amendments to SC 18 which would enable PGTs to give varying degrees of priority in the supply of gas to one or more customers or classes of customers consuming over 732,200 kWh per annum (i.e. large volume users). Three categories of priority user had already been identified, and others could be designated by the Secretary of State for Trade and Industry as necessitated by the circumstances of an emergency.

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<sup>1</sup> Priority Gas Customer Arrangements. Modification of the Public Gas Transporter Licence. A Consultation Document.

In order for the modifications proposed by the Director General to be put into effect it was necessary, under section 23 of the Gas Act 1986, for not less than 90% of all licensed PGTs, both by number and by volume of gas transported, to consent to them. In the event, all PGTs expressed their agreement to the proposed modifications and they were therefore implemented. However, during the consultation, a separate – though related – licence issue was raised by the Health and Safety Executive (HSE).

The HSE felt that the wording of paragraph 11 of SC 18, which includes an obligation on the Network Emergency Co-ordinator (NEC)<sup>2</sup> to consult on proposed action, could lead to a delay in the taking of essential remedial action at the outset of an emergency and so hinder the effective management of the situation. This issue is outside the scope of the earlier consultation and has necessitated further modifications being proposed to paragraph 11 of SC 18. This document therefore consults on these supplementary changes to that single paragraph.

- ◆ Annex A is the formal notice under section 23 of the Gas Act 1986 proposing to modify PGT licences.
- ◆ The changes to be made are in the Schedule to that notice.
- ◆ Annex B is a marked up comparison with the existing condition – showing how it is intended to be changed.
- ◆ Annex C is a copy of the existing condition (incorporating the changes made following our original consultation).

The Director would welcome comments on the revised wording for paragraph 11 of SC 18 set out in this document. Representations must be received by Friday, 21 January 2000, at the latest.

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<sup>2</sup> Under the Gas Safety (Management) Regulations 1996 when two or more gas transporters are operating on a network there should be appointed a Network Emergency Co-ordinator for that network.

Following the period of consultation, a draft of the proposed licence modifications will be produced with such amendments as are necessary in light of the responses to the consultation. For the purpose of assessing consent or non-consent to the proposal, all holders of PGT licences will be sent a document for return to the Director on which they will be asked to signify formally whether they consent to the modification. That document will, if necessary, also contain an estimate provided by Transco of the volume of gas transported by that PGT and will seek acceptance of that volume. If a licence holder regards the volume proposed to be used by the Director as inappropriate he should provide the Director with an alternative estimate and a statement of reasons for preferring his estimate over that proposed by the Director.

Replies should be addressed to:

David Farrell  
Office of Gas and Electricity Markets  
Stockley House  
130 Wilton Road  
London, SW1V 1LQ

It is open to respondents to mark all or part of their responses as confidential. However, we would prefer, as far as possible, that responses were provided in a form that can be placed in the Office of Gas and Electricity Markets' library.

If you have any queries concerning this consultation, Chrissy Jones on 0171 932 1629 will be pleased to help.

## **Standard Condition 18(11): Requirement of the Network Emergency Co-ordinator to consult the Secretary of State for Trade and Industry during a Gas Supply Emergency**

In July 1999, Ofgem published a Consultation Document proposing changes to Standard Condition (SC) 18 of the Public Gas Transporter (PGT) Licence which deals with emergency services and obligations.

The existing industry arrangements for dealing with supply emergencies already assign precedence in the supply of gas to small customers (i.e. domestic users together with all others consuming below 732,000 kWh per annum), but the arrangements for larger customers were less clear.

Ofgem's intention was to provide a means of safeguarding, so far as it is safe and practicable to do so, the supply of gas to certain categories of large volume users (e.g. hospitals) during a gas supply emergency. These proposed changes are an essential aspect of the work carried out by the Department of Trade and Industry (DTI) on gas contingency planning - referred to as the Priority Gas Customer Arrangements (PGCA) – which has the support of Ofgem.

In commenting on the licence changes needed<sup>3</sup> to permit PGTs to implement a direction from the Secretary of State for Trade and Industry to accord varying degrees of priority to one or more customers, or classes of customers, the Health and Safety Executive (HSE) commented on a practical aspect of the existing emergency procedures.

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<sup>3</sup> Priority Gas Customer Arrangements. Modification of the Public Gas Transporter Licence. A Decision Document.

The HSE noted that, as originally drafted, paragraph 11 of SC 18 requires the Network Emergency Co-ordinator (NEC)<sup>4</sup> to consult the Secretary of State about the taking of remedial action, ideally, before taking any such action. This obligation existed in the original wording of paragraph 11 of SC 18 and was unchanged by the revised wording put in place following the recent Ofgem consultation.

The HSE have however pointed out a discrepancy between the obligations in the PGT licences and the procedures set out in the NEC's safety case. The HSE have noted that the NEC safety case makes no reference to consulting with the Secretary of State or the Department of Trade and Industry either before declaring a supply emergency or before requiring firm load shedding.

The HSE agree that a requirement for the NEC to consult with the Secretary of State is appropriate during an extended supply emergency, where decisions may need to be made about which large volume consumers should receive gas, irrespective of their priority categorisation. However, they believe, and we concur, that it is inappropriate during the onset and initial stages of a supply emergency, where a rapid response may be required by the NEC to prevent an emergency from occurring or, if one has already occurred, from worsening.

It is also apparent to Ofgem that the current obligation to consult, apart from its safety implications, also imposes an operational and administrative burden on PGTs and the NEC which is both unnecessary and potentially counter productive.

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<sup>4</sup> Under the Gas Safety (Management) Regulations 1996 when two or more gas transporters are operating on a network there should be appointed a Network Emergency Co-ordinator for that network.

In our consultation we proposed a number of changes to paragraph 11 to take account of the PGT/NEC relationship and these have now been agreed by licensees and implemented. We considered whether the issue raised by the HSE could be accommodated through changes to SC 18 made concurrently with the recent consultation, but are of the view that this would be outside the scope of that consultation. A further consultation is therefore necessary to consider the changes necessitated by the HSE's comments.

We therefore propose to redraft SC18 (11) of the PGT Licence to ensure that:

- a) PGTs do not need to consult the NEC prior to taking action to counter a supply emergency arising on their networks and
- b) the obligation on the NEC to consult the Secretary of State does not jeopardise the prompt and effective handling of an emergency.

In proposing these changes Ofgem is seeking to remove the current ambiguity between the obligations placed on PGTs and the NEC by the existing standard conditions of the PGT licence and those set out in their respective safety cases. In seeking to align the licence with the more streamlined procedures in the safety case we are also expecting to remove an unnecessary administrative burden.

### **Next Steps**

Following consultation and having considered the responses Ofgem will make any necessary changes to the proposed modification and then seek the consent of the holders of PGT licences to those modifications.

**Gas Act 1986**

**Section 23(3)**

**NOTICE**

Notice of proposal to modify the standard conditions of the licences granted and treated as granted under section 7 of the Gas Act 1986 (Public Gas Transporters' Licences).

The Director General of Gas Supply (hereinafter referred to as "the Director") pursuant to section 23(3) of the Gas Act 1986 (hereinafter referred to as "the Act") hereby gives notice as follows –

1. The Director, pursuant to section 23(1)(b) of the Act, proposes to modify the standard conditions of licences granted and treated as granted under section 7 of the Act (public gas transporters' licences) in the manner set out in the Schedule hereto.
2. The effect of the modifications that the Director proposes to make is to relax the existing requirement in paragraph 11 of standard condition 18 of public gas transporters' licences to consult the network emergency co-ordinator or the Secretary of State before taking any action when, for reasons of safety, action has to be taken to interrupt, reduce or restrict the supply or conveyance of gas and those reasons relate to the whole or a substantial part of Great Britain or there is a significant shortage of gas affecting the whole or a substantial part of Great Britain. The network emergency co-ordinator or the Secretary of State will have to be informed about any such action; the duty to consult them will be subject to the qualification of being so far as is reasonably practicable in the circumstances, having regard to the over-riding importance of safety.



3. The reasons why the Director proposes to make the modifications are set out in the consultation paper that accompanies this notice. It should be noted that these reasons include that the Director considers that section 23(10) of the Act applies to the modifications in that the existing conditions impose a burden on public gas transporters that would be removed by the modifications without removing any necessary protection.

4. Representations or objections with respect to the proposed modification may be made by Monday 8 January 2000 and should be addressed to the Office of Gas and Electricity Markets, Stockley House, 130 Wilton Road, London SW1V 1LQ.

The Seal of the Director  
General of Gas Supply  
hereunto affixed is  
authenticated by –

.....  
Duly authorised in that behalf by the  
Director General of Gas Supply

17 December 1999

Schedule to Notice under section 23(3) of the Gas Act 1986  
Public Gas Transporter Licence, Standard Condition 18: Emergency Services &  
Obligations – Proposed Modification

For paragraph (11) of standard condition 18 of licences granted and treated as granted under section 7 of the Gas Act 1986 there shall be substituted the following paragraph –

“(11) Where the reasons of safety referred to in paragraph (10) relate to the whole or a substantial part of Great Britain or there is a significant shortage of gas affecting the whole or a substantial part of Great Britain, the licensee shall

- (a) where the Licensee is not the network emergency co-ordinator,
  - (i) inform the network emergency co-ordinator about the taking of any such steps as are mentioned in sub-paragraph (a) or (b) of paragraph(10), and,
  - (ii) so far as is reasonably practicable in the circumstances, having regard to the over-riding importance of safety, consult the network emergency co-ordinator before taking any such steps; or
- (b) where the Licensee is the network emergency co-ordinator,
  - (i) inform the Secretary of State, about the taking of any such steps as are mentioned in sub-paragraph (a) or (b) of paragraph (10) and,
  - (ii) so far as is reasonably practicable in the circumstances, having regard to the over-riding importance of safety and, in particular, to the need to take immediate measures to ensure system safety, consult the Secretary of State before taking any such steps.”

## Annex B

### Public Gas Transporter Licence, Standard Condition 18: Emergency Services & Obligations – proposed modification

(9) Paragraph (10) shall apply in relation to relevant customers and the premises of relevant customers.

(10) Where the licensee considers that, for reasons of safety (not being reasons relating solely to particular premises or a particular locality), the supply of gas to any relevant customer or the conveyance of gas to his premises needs to be interrupted, reduced or restricted, it shall, so far as reasonably practicable in the circumstances having regard to the over-riding importance of safety –

- (a) when making such a request of a relevant supplier or shipper as is mentioned in condition 31(2) of the Standard Conditions of Gas Suppliers' Licences or condition 4(2) of the Standard Conditions of Gas Shippers' Licences;
- (b) when telling a relevant customer that he should refrain from using gas, in pursuance of such a term of that customer's contract for the supply of gas as is mentioned in condition 31(3)(b) of the Standard Conditions of Gas Suppliers' Licences; or
- (c) when interrupting, reducing or restricting the conveyance of gas,

give priority to the maintenance of the supply of gas to, and the conveyance of gas to the premises of, relevant customers or classes of relevant customers in accordance with, and to the extent specified in the list required by paragraph (12), and (to the extent that they supersede or supplement such list) such directions as may from time to time have been given by the Secretary of State under paragraph (14) or (15)."

(11) Where the reasons of safety referred to in paragraph (10) relate to the whole or a substantial part of Great Britain or there is a significant shortage of gas affecting the whole or a substantial part of Great Britain, the licensee shall ~~so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety—~~

- ~~(a) (a) — where the Licensee is not the network emergency co-ordinator,~~
  - ~~(i) (i) — consult inform the network emergency co-ordinator about the taking of any such steps as are mentioned in subparagraph (a) or (b) of paragraph (10), and of~~
  - ~~(ii) so far as is reasonably practicable in the circumstances, having regard to the over-riding importance of safety, consult the network emergency co-ordinator before taking any such steps; or~~
- ~~(b) — where the Licensee is the network emergency co-ordinator,~~

~~(i) inform the Secretary of State, about the taking of any such steps as are mentioned in sub-paragraph (a) or (b) of paragraph (10) and,~~

~~(ii) where the Licensee is the network emergency co-ordinator, inform and if appropriate so far as is reasonably practicable in the circumstances, having regard to the over-riding importance of safety and, in particular, to the need to take immediate measures to ensure system safety, consult the Secretary of State,~~

~~on the taking of any such steps as are mentioned in sub-paragraph (a) or (b) of that paragraph and,~~

~~(b) shall do so~~ before taking any such steps.

- (12) The licensee, if licensed under section 7(2)(a) of the Act, shall –
- (a) unless it has done so before being so licensed, establish a list of relevant customers who should be given priority as respects the maintenance of a supply of gas and the maintenance of the conveyance of gas to their premises, and
  - (b) as often as is appropriate, review the list, and so far as appears appropriate, amend it, after consultation with all relevant shippers which appear to the licensee to have an interest in the proposed amendment, and, without prejudice as aforesaid, shall conduct such a review and make any such amendments on being directed to do so by the Secretary of State.

(13) When the licensee establishes, reviews or amends any list established under paragraph (12), it shall comply with any direction given by the Secretary of State as to –

- (a) the classes of relevant customers on which the list is to be based;
- (b) any other criteria on which the list is to be based;
- (c) any other customers or classes of customers specifically required to be included in the list; and
- (d) the nature and extent of any priority which will be given to any relevant customer or class of relevant customer as specified in the list.

(14) The licensee shall comply with any directions given by the Secretary of State for the purposes of this condition generally requiring priority to be given, in such manner and to such extent as may be specified in the directions, to the maintenance of the supply of gas to, and the conveyance of gas to the premises of, one or more classes of relevant customers.

(15) The licensee shall comply with any directions given by the Secretary of State requiring the licensee to give priority, in such manner and to such extent as may be specified in the directions, to the maintenance of the supply of gas to, and the conveyance of gas to the premises of, one or more relevant customers or classes of relevant customers.

(16) Any question arising under this condition as to whether a particular relevant customer is required to be included in the list established, reviewed or amended under paragraph (12) shall be determined by the Secretary of State.

(17) In this condition –

- (a) “relevant customer” includes –
  - (i) any person who is supplied by a relevant supplier with gas conveyed to a particular supply point at a rate which is reasonably expected to exceed 732,000 kilowatt hours a year, to the extent that the terms on which that person is supplied permit such supply to be interrupted or reduced only in pursuance of such a term as is mentioned in Condition 31(3) of the Standard Conditions of Gas Suppliers’ licences or in pursuance of directions given under section 2(1)(b) of the Energy Act 1976, and
  - (ii) any person mentioned in any direction given by the Secretary of State in relation to paragraph (13)(c) of this condition, and
- (b) “network emergency co-ordinator” shall be construed in the same manner as that term is construed in the Gas Safety (Management) Regulations 1996<sup>5</sup>.

(18) References in this condition to the maintenance of supply or conveyance of gas include references to the resumption of such supply or conveyance following its interruption or reduction.

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<sup>5</sup> S.I.1996 No. 551.

## Annex C

### Public Gas Transporter Standard Licence Condition 18: Emergency services and obligations

(9) Paragraph (10) shall apply in relation to relevant customers and the premises of relevant customers.

(10) Where the licensee considers that, for reasons of safety (not being reasons relating solely to particular premises or a particular locality), the supply of gas to any relevant customer or the conveyance of gas to his premises needs to be interrupted, reduced or restricted, it shall, so far as reasonably practicable in the circumstances having regard to the over-riding importance of safety –

- (a) when making such a request of a relevant supplier or shipper as is mentioned in condition 31(2) of the Standard Conditions of Gas Suppliers' Licences or condition 4(2) of the Standard Conditions of Gas Shippers' Licences;
- (b) when telling a relevant customer that he should refrain from using gas, in pursuance of such a term of that customer's contract for the supply of gas as is mentioned in condition 31(3)(b) of the Standard Conditions of Gas Suppliers' Licences; or
- (c) when interrupting, reducing or restricting the conveyance of gas,

give priority to the maintenance of the supply of gas to, and the conveyance of gas to the premises of, relevant customers or classes of relevant customers in accordance with, and to the extent specified in the list required by paragraph (12), and (to the extent that they supersede or supplement such list) such directions as may from time to time have been given by the Secretary of State under paragraph (14) or (15)."

(11) Where the reasons of safety referred to in paragraph (10) relate to the whole or a substantial part of Great Britain or there is a significant shortage of gas affecting the whole or a substantial part of Great Britain, the licensee shall so far as is reasonably practicable in the circumstances having regard to the over-riding importance of safety –

- (a)
  - (i) consult the network emergency co-ordinator, or
  - (ii) where the Licensee is the network emergency co-ordinator, inform and if appropriate consult the Secretary of State, on the taking of any such steps as are mentioned in subparagraph (a) or (b) of that paragraph and,
- (b) shall do so before taking any such steps.

(12) The licensee, if licensed under section 7(2)(a) of the Act, shall –

- (a) unless it has done so before being so licensed, establish a list of relevant customers who should be given priority as respects the

maintenance of a supply of gas and the maintenance of the conveyance of gas to their premises, and

- (b) as often as is appropriate, review the list, and so far as appears appropriate, amend it, after consultation with all relevant shippers which appear to the licensee to have an interest in the proposed amendment, and, without prejudice as aforesaid, shall conduct such a review and make any such amendments on being directed to do so by the Secretary of State.

(13) When the licensee establishes, reviews or amends any list established under paragraph (12), it shall comply with any direction given by the Secretary of State as to –

- (a) the classes of relevant customers on which the list is to be based;
- (b) any other criteria on which the list is to be based;
- (c) any other customers or classes of customers specifically required to be included in the list; and
- (d) the nature and extent of any priority which will be given to any relevant customer or class of relevant customer as specified in the list.

(14) The licensee shall comply with any directions given by the Secretary of State for the purposes of this condition generally requiring priority to be given, in such manner and to such extent as may be specified in the directions, to the maintenance of the supply of gas to, and the conveyance of gas to the premises of, one or more classes of relevant customers.

(15) The licensee shall comply with any directions given by the Secretary of State requiring the licensee to give priority, in such manner and to such extent as may be specified in the directions, to the maintenance of the supply of gas to, and the conveyance of gas to the premises of, one or more relevant customers or classes of relevant customers.

(16) Any question arising under this condition as to whether a particular relevant customer is required to be included in the list established, reviewed or amended under paragraph (12) shall be determined by the Secretary of State.

(17) In this condition –

- (a) “relevant customer” includes –
  - (i) any person who is supplied by a relevant supplier with gas conveyed to a particular supply point at a rate which is reasonably expected to exceed 732,000 kilowatt hours a year, to the extent that the terms on which that person is supplied permit such supply to be interrupted or reduced only in pursuance of such a term as is mentioned in Condition 31(3) of the Standard Conditions of Gas Suppliers’ licences or in pursuance of directions given under section 2(1)(b) of the Energy Act 1976, and
  - (ii) any person mentioned in any direction given by the Secretary of State in relation to paragraph (13)(c) of this condition, and

(b) “network emergency co-ordinator” shall be construed in the same manner as that term is construed in the Gas Safety (Management) Regulations 1996<sup>6</sup>.

(18) References in this condition to the maintenance of supply or conveyance of gas include references to the resumption of such supply or conveyance following its interruption or reduction.

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<sup>6</sup> S.I.1996 No. 551.