

Press Notice

21 December 2011

OFGEM ANNOUNCES FINES FOR NATIONAL GRID GAS AND NORTHERN GAS NETWORKS FOR FAILING TO ATTEND GAS ESCAPES ON TIME

- **Ofgem proposes fines of £4.3m for NGG and £900,000 for NGN. The different levels of penalty reflect the fact that NGG owns four networks and NGN one**
- **Penalties send a clear message to energy network companies that they must meet their licence obligations**
- **Penalties would have been higher had it not been for companies' cooperation with the investigation and action taken by them ahead of this winter**

Energy regulator Ofgem has today announced its intention to fine National Grid Gas (NGG) and Northern Gas Networks (NGN) £4.3m and £900,000 respectively for failing to meet mandatory targets for attending and assessing gas escapes on time last Winter. The timescales they have to meet for this are set out in the gas transporter licence.

The Health and Safety Executive (HSE) is the gas safety regulator but Ofgem sets standards for how quickly gas companies must respond to gas escapes. Gas Distribution Network Operators (GDNs) have annual targets to respond to 97% of uncontrolled gas escapes within one hour, and 97% of controlled gas escapes within two hours. All GDNs have to report their performance against these targets to Ofgem each year.

Neither the companies nor HSE reported any consumer harm as a result of failure to meet these targets. However, NGN and NGG have now incorporated the lessons learned from last winter into their plans for this year.

Rachel Fletcher, Senior Partner Smarter Grids and Governance, Distribution, Ofgem said:
"Consumers pay for these important service standards and have a right to expect that they will be met. Today's announcement sends a clear message to energy network companies that they risk a financial penalty from Ofgem if they don't meet their obligations to continue to uphold Britain's very high standards in responding to gas escapes on time.

"Ofgem accepts that many parts of Britain experienced bad weather conditions over the last year and individual members of staff from NGN and NGG worked hard in difficult conditions to reach customers that reported gas escapes. However, both companies need to plan better for bad weather and ensure that adequate resources and contingency plans are in place to meet the annual targets."

Between April 2010 and 31 March 2011, NGG and NGN failed to meet the target of responding to 97% of controlled and uncontrolled gas escapes within time limits. NGG reached between 92.1% and 96.1% of uncontrolled gas escapes in all four of its GDNs. NGG reached 96.8% and 95.1% of controlled gas escapes in two of their four GDNs within the time limits.

Over the same period NGN reached 91.6% of uncontrolled gas escapes and 94.3%, of controlled gas escapes within the time limits.

The penalties reflect the importance of compliance, the full cooperation of NGN and NGG with Ofgem's investigation, and their agreement to settle this matter. The level of the penalties exceeds any gain there may have been from non-compliance. The penalties also reflect the action both companies have taken to revise their plans and ensure they have increased resources available for this winter. Without all these factors, the penalties would have been higher.

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1. GDNs have licence obligations stating they must respond to 97 per cent of **uncontrolled** gas escapes within one hour and to 97 per cent of **controlled** gas escapes within two hours. A controlled escape is where the person reporting it is able to resolve the situation by taking the actions advised over the phone by the gas emergency call centre. An uncontrolled escape is where the person reporting it cannot bring the situation under control after following the advice given.

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 powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

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