



## **Developing competition and choice in connections services**

A public consultation by Transco

published 1/3/02  
closing date 29/3/02

**Responses should be sent to:**

Peter Rayson  
Network Policy  
Transco  
65 New Road  
Solihull  
B91 3DL  
[peter.j.rayson@transco.uk.com](mailto:peter.j.rayson@transco.uk.com)

## Introduction

The connections market continues to evolve. Significant developments include the Utilities Act becoming effective and Ofgem changing the eligibility criteria for Gas Transporters to apply Licence Condition 4C.

Transco believes that it is now an appropriate time to set out those initiatives that it believes will further develop the connections market.

Before any discussion of these initiatives it will be useful to articulate the principles that Transco has applied; they are:

- every customer should have a choice of Connections Service Provider,
- there must be equality of treatment between Connections Service Providers and
- customers should pay market prices, except where a Gas Transporter has a legal or licence obligation to fund part of the cost and recover the money from transportation customers.

Transco is proposing a range of initiatives that seek to deliver on these principles across the different connections market sectors. Transco would be interested to learn of any concerns or suggestions that customers may have. It is important to appreciate that this is a key opportunity for customers to comment upon the initiatives that Transco wants to pursue.

This consultation also offers customers the opportunity to comment upon the pace of change in the connections market.

Transco will summarise the responses that are received. The summary paper will be shared with respondents and Ofgem. Customers may indicate if their response is confidential, in which case Transco will not name them in any subsequent publication.

Many of the initiatives outlined in this consultation will require cooperation between Transco, those wishing to provide connection services and customers. It is Transco's intention to work with the other players in the market to ensure smooth implementation.

The first section of this consultation speaks about two important initiatives (Final Connections and the Gas Industry Registration Scheme) that are currently under way. The next two sections contain Transco's proposals (in respect of widening choice, increasing competition and simplifying the regime.) The last section outlines the potential effect of Lane Rental Charges.

## **Initiatives in progress**

### Final Connections by others to the Transco network

Transco has recently completed a trial in which competent third parties have been able to connect to Transco's below 7 barg. network themselves. This important initiative, possibly a first in UK utilities, represents a significant step forwards.

In the near future and subject to the prior agreement of the HSE Transco will roll out a national Final Connections process. This will enable competition to be extended for all competent Connection Service Providers. Once it has been implemented Transco will require all persons wishing to self connect to follow this process.

Final Connections undertaken by others is an important enabler to the development of competition; consequently Transco would encourage every Connections Service Provider to carry out its own Final Connections.

### Gas Industry Registration Scheme

Transco, in conjunction with the other Gas Transporters, are in the process of establishing an Industry Registration Scheme. This scheme is a way in which Utility Infrastructure Providers can gain accreditation for gas infrastructure design, construction and connection services. Its purpose is to ensure public safety whilst at the same time preventing the un-necessary costs that would be incurred if each Gas Transporter were required to check competence on a job by job basis. It also should have the added benefit of raising the status of registered Utility Infrastructure Providers.

Once the Registration Scheme is established it is proposed to develop below 7 barg. apparatus adoption charges for non-registered Utility Infrastructure Providers. These charges will be applied following a transition period that will enable Utility Infrastructure Providers to become registered. Charges will ensure that Utility Infrastructure Providers that do not register will incur their fair share of costs; avoiding costs being charged to other customers.

## **Proposed Structural initiatives**

### Extending the scope of competition

#### 10m free allowances

In respect of premises that are within 23 metres of a relevant main and which are used wholly or mainly for domestic purposes Transco is obliged to construct the connection and first ten metres of gas service pipe that will be situated in land that is not owned or occupied by the customer free of charge to that customer.

This means that Transco is obliged to give an allowance in respect of the majority of the connections that it makes to individual domestic properties. This allowance is known as the Domestic Load Connection Allowance. Transco is not obliged to provide this allowance to other people who might wish to offer connections to such premises.

Whilst the provision of these allowances is of benefit to customers they currently have the effect of frustrating the development of competition. Transco now proposes that Ofgem change Standard Condition 4B.1 such that Gas Transporters are required to make a fixed sum contribution towards the cost of these connections. In this way customers will still receive an allowance, and Transco will be able to pay it to Utility Infrastructure Providers.

At the time of writing the value of Transco's Domestic Load Connection Allowance is approximately £300. Ofgem might consider that this is a suitable figure for the purpose of setting the fixed sum contribution. It will clearly be necessary to periodically review the figure, or perhaps it could be linked to some index such as the Retail Price Index.

It is anticipated that the payment of any allowance be linked with the pipe vesting with Transco. i.e. The allowance would be paid after the service pipe had vested.

#### Competition in alteration of gas service pipes

Transco has always provided a service for those gas consumers who wish to have the position of their service pipe altered. When carrying out a service pipe alteration it is necessary to cut into live gas pipework; for this reason it has never been carried out on a competitive basis.

Later this year it is anticipated that Final Connections by others will be permitted. It will then be possible for competent organisations, following the proper procedure, to carry out live gas connections to Transco's system. This in turn will enable competition to be extended into the gas service pipe alteration market.

It is current Transco policy to carry out the replacement of domestic sized metallic service pipes when it carries out a service pipe alteration. In this way service pipes are replaced at a marginal cost, which is funded by Transco on behalf of transportation customers. It is in the interest of transportation customers for this process to continue; consequently it is reasonable for Transco to make a contribution towards the cost of the work where this is undertaken by Utility Infrastructure Providers on behalf of connection customers. At the time of writing the value of this contribution is around £375.

It is anticipated that the contribution would be paid after the job had been satisfactorily completed.

*Customers are invited to share their views in respect of how these payments might be managed.*

### Competition in service pipe disconnections

Transco provides a service pipe disconnection service. It is Transco policy to isolate the service outside of the property, usually at the parent main. As with service pipe alterations this service is currently not competitive as it requires live gas working.

Once the Final Connections by others process has been established competent organisations should be able to cut off service pipes. It is Transco's intention to work with customers to develop suitable procedures.

Procedures are required to ensure that the requirements of Transco's Network Code, Supplier, Transportation and Shipping licences are accommodated.

### Simplification of regime

#### Self-quotations for 'Point and Pressure' requests

At the moment Transco carries out network analysis to determine the offtake pressure for all connection requests - with the exception of the connection of routine domestic sized loads.

Customers may find it more convenient if they could identify a source pressure without having to refer to Transco for analysis. In this way a customer would be able to 'self-quote'.

It is proposed to publish a matrix of pressures. A person requiring to design a connection would be able to refer to the matrix, which would contain guaranteed design pressures. (Transco would reinforce at its cost to ensure that the guaranteed pressure was available at the time of connection.)

In addition to its potential use by customers Transco would use the pressures within the matrix when it provides a quotation.

The matrix only applies to loads below 900KW where connections will be made to the low pressure system (operating pressure less than 75 mbarg.)

The table overleaf, whilst indicative, is a representation of the pressure matrix that Transco is considering.

Peak design load Diameter	<175 KW (approx. 16scm/hr)	<450 KW (approx. 40scm/hr)	<900 KW (approx. 85scm/hr)
<= 2"/63mm	23	23	23
>2"/63 - <=4"/125mm	23	24	24
>4"/125 - <=6"/180mm	23	24	25
>6"/180 - <=8"/250mm	23	24	25
>8"/250 - <=12"/315	23	24	25
>12"/315	23	24	25

- Pressures in mbarg.
- Pressures quoted are at 1 in 20 winter peak 6 minutes flow conditions

The pressures in the matrix are a compromise between the provision of a high pressure for the downstream system designer to utilise and the economic operation of the upstream system. (The cost of laying small industrial and commercial service pipes and mains to isolated developments of a few houses is not greatly influenced by available pressure.)

The matrix does not include loads above 900KW. There are two reasons for this; they are:

- network analysis is more likely to be required to ensure economic development of the upstream system and
- the additional pressure that might be available at some locations may have a significant effect upon the economics of the design of the new downstream apparatus.

Requests that are not covered by the matrix will continue to require network analysis. Transco would continue to provide a 'point and pressure' network analysis service for customers who do not wish to use the matrix.

It is proposed to introduce a charge in respect of point and pressure enquiries that might have been avoided had a customer chosen to utilise the pressure given by the matrix. Where the table is not capable of being applied, e.g. for loads greater than 900KW, no charge would be imposed.

Introducing these charges will ensure that customers pay for the services that they require.

It is anticipated that the charge will be around £85 (plus VAT) in respect of each calculated pressure request.

*Customers are requested to consider whether they believe that the introduction of self-quotes would be of assistance to them.*

## Approach mains

Transco originally provided an approach main laying service to other Transporters because Licence areas were exclusive. Subsequently an approach main laying service was extended to Utility Infrastructure Providers.

The Utilities Act has removed the concept of geographic exclusivity. As a result there would appear to be no reason why Transco should continue to provide this service. It is therefore proposed that Transco discontinue laying approach mains.

This does not mean that Transco will not connect approach mains laid by others although it is proposed that Transco will not adopt any apparatus, other than Final Connection apparatus, that is intended for the sole purpose of connecting a Connected System.

## **Proposed pricing initiatives**

### Domestic size service pipe alterations

When competition is introduced into the service pipe alteration market it is proposed that Transco abandon national standard charges in favour of LDZ based charges.

At the moment Transco applies a simple standard charge methodology for domestic service alterations that does not take into account factors such as ground conditions. As a result some customers have indicated that they do not believe that the existing structure of these charges is conducive to cost reflective quotations.

Transco has considered a number of alternative charging processes they are:

- visit site to determine customer requirements and quote on that basis,
- introduce a more complex standard charge regime with the customer supplying details by post / telephone or
- provide customers with a charging schedule – charge to be determined by the team on site once the job has been completed.

*Transco would appreciate customer views in respect of:*

- *whether it should change its existing methodology,*
- *which, if any, of the alternatives outlined above should be pursued.*

### Service pipe disconnections

When competition is introduced into the service pipe cut off market it is proposed that Transco abandon national standard charges in favour of LDZ based charges.

### Design charges

In 2000 Transco introduced design charges. With the exception of the 3% of jobs where a design charge is applicable that are Sufficient Complexity Jobs the customer does not have to pay the charge unless the quotation to construct apparatus is accepted.

Some customers have suggested that this method of charging is not satisfactory because it means that customers who do not accept a quotation do not pay for design work that has been carried out on their behalf.

*Would customers like Transco to charge up front for design services? Which categories of request (CSOS 3, 4 etc.) should receive up front design charges?*

### Sufficient Complexity Jobs

Sufficient Complexity Jobs were introduced to place Transco and Utility Infrastructure Providers on the same basis, in respect of charging for the design of complex connections.

Transco has carried out an investigation relating to the implementation of Sufficient Complexity Jobs and has concluded that it is possible to extend their scope. There are two possible ways in which this might be done; they are:

- the £250,000 threshold might be reduced, to say £100,000 or
- the £10,000 hurdle, related to jobs that have a significant obstacle on the route of the apparatus, might be removed. (It might be appropriate, if this were done, to introduce some other measure to prevent routine connections to blocks of flats being included within the scope of Sufficient Complexity Jobs.)

*Do customers want Transco to extend the scope of Sufficient Complexity Jobs? Transco would invite comments on the alternatives listed above.*

### **Lane Rental Charges**

Customers should be aware that pilot schemes have been introduced in Camden and Middlesbrough to levy charges on streetworks, which could lead to significantly increased costs for some customers.



Where applicable Transco will pass through the costs arising as a result of Lane Rental Charges.

Further information about the introduction of these charges into other areas of the country can be obtained from the DTLR.

## **Notes**

In this paper the term Connections Service Provider is used as appropriate to include Gas Transporters as well as Utility Infrastructure Providers.