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## HEALTH AND SAFETY COMMISSION

### REVISED LICENCE CONDITIONS FOR ELECTRICITY AND GAS SUPPLIERS

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Cleared by Giles Denham on 20<sup>th</sup> June 2007

#### Issue

1. Response to proposals for revised licence conditions for gas and electricity suppliers arising from a review by the Office of Gas and Electricity Markets (Ofgem).

#### Timing

2. Routine.

#### Recommendation

3. For information. The outcome of this review is in line with HSC/E's interests and Sir Bill Callaghan intends to write the attached letter to the Chairman of Ofgem's governing Authority confirming that the Commission is content with the proposals.

#### Background

4. Gas and electricity companies must obtain a licence from Ofgem, issued under either the Gas Act 1986 or the Electricity Act 1989, before supplying customers. The conditions attached to such licences have not changed significantly since the energy market was opened to competition. Ofgem has therefore carried out an extensive review, in consultation with relevant stakeholders, to determine whether those conditions remain appropriate.
5. Under the Utilities Act 2000, Ofgem is required to consult the Commission on gas and electricity safety issues and take into account any advice given.

## Argument

6. HSE has liaised closely with Ofgem throughout the review and commented on the proposals as they have evolved. Our objective has been to ensure that the new conditions are in line with the recommendations arising from last year's review of domestic gas safety, which the Commission adopted in January. In that context, there were three conditions of interest, as follows:

- (i) Free Gas Safety Checks and Gas Safety Information

Ofgem has amended the eligibility criteria for householders' free gas safety checks so as to target more effectively those at greatest risk from carbon monoxide (CO) poisoning, including vulnerable customers on means-tested benefits. The number of eligible customers will be reduced, but it is expected that suppliers will offer checks at cost to other vulnerable customers who are able to afford them. The actual content of the check has been brought in line with that required for rented property under the Gas Safety (Installation and Use) Regulations 1998, which HSE enforces.

Importantly, suppliers will now be obliged to provide information to all customers on the dangers of CO poisoning and how to mitigate them. This should help address the serious lack of consumer awareness which was identified by HSE's review of domestic gas safety.

- (ii) Two-year Meter Inspection

The current obligation on suppliers to inspect gas and electricity meters at least once every two years is to be retained. Ofgem considered removing it, but, after consultation with HSE and other stakeholders, concluded that the risks had not yet been evaluated adequately. The relevant licence condition has, however, been modified to allow suppliers to apply for a derogation which would be granted if suppliers could demonstrate that safety would not be comprised by the introduction of alternative arrangements.

- (iii) Use of Meter Asset Managers

Similarly, Ofgem has decided to retain the current obligation to use an approved Meter Asset Manager (MAM) for the provision and maintenance of gas meters in domestic properties until an appropriate assessment of the risks of removing it has been made.

## Costs and Benefits

7. Ofgem has carried out an impact assessment of the requirement for free gas safety checks. Suppliers already have trained staff and relevant equipment and any increase in burden on the suppliers will be proportionate in terms of cost and targeted where there is greatest risk.

**Financial/Resource, Environmental and Other Implications for HSE**

8. None.

## **Annex A**

### **Draft letter from Chair to Sir John Mogg, Chairman of GEMA**

#### **SUPPLY LICENCE REVIEW – FINAL PROPOSALS**

Your organisation has conducted a review of the standard conditions of the electricity and gas supply licences and proposes to provide a simpler, clearer set of obligations. The relevant legislation requires the Health and Safety Commission to be consulted on such changes. HSE officials have liaised closely with yours on the proposals throughout the review as they affect domestic gas and electricity safety.

I can confirm that the Health and Safety Commission is satisfied with the final proposals for the revised conditions.

Sir Bill Callaghan