

PRESS RELEASE

The CNMC publishes a study on the periodic channelled gas inspection market

- The current regulation establishes that companies distributing fuel gases and supplying liquefied petroleum gas must carry out an inspection visit to the receiver facilities connected to channelled networks every 5 years.
- The study analyses the regulation of these inspections and makes a number of recommendations to the competent authorities for the inspection mechanism to achieve maximum economic efficiency, fulfilling the safety objectives of the facilities at the same time.
- The economic analysis indicates that a broad margin for improvement of the current regulated prices exists; the introduction of effective competition would lead to advantages in prices and service for users; the competent administrations are recommended to adopt measures of improvement of the economic efficiency of the periodic inspections.

Madrid, on 27 March 2015 - The CNMC (Spain's National Authority for Markets and Competition) has published the *Study on the market of inspections of facilities receiving fuel gases via channelling*.

The current wording of Act 34/1998, of 7 October, on the Hydrocarbon Sector establishes the carrying-out of inspection visits to receiver facilities connected to channelled networks every 5 years among the obligations of companies that distribute fuel gases and supply liquefied petroleum gases. The cost of these inspections is passed on to users of the facilities and the Autonomous Communities are responsible for the regulation of the price offered to distributors for the carrying-out of such periodic inspections.

The objective of this study is to analyse the regulation of these periodic inspections and make a number of recommendations to the competent national and autonomous community authorities, in order for the mechanism of periodic inspection of facilities receiving fuel gases connected to distribution networks to achieve maximum economic efficiency and fulfil the safety objectives of the facilities.

The study concludes that, taking into account the principles of need and proportionality, it would be convenient for the service of periodic inspection to be opened-up to competition. The introduction of competitive pressure into the market
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would improve the conditions of the service of inspection for consumers; it would allow for a foreseeable reduction in prices compared with the prices currently regulated; as well as greater flexibility when agreeing on appointments for inspectors to visit facilities. Nevertheless, the economic analysis has detected the existence of possible market failings that could affect its correct operation. For this, it is proposed for the opening-up of the market to be accompanied by additional measures that may guarantee the safety and the quality of the facilities inspected.

Specifically, it is recommended for users to be given the option of contracting the inspection with an authorized installer of their choice, with freedom on prices, with the advantages of the competitive tension currently existing in the sub-contracting of the services of inspection by distributor or supplier companies being passed on to the consumer.

Additionally, it is recommended for access to be enabled for installer companies to the information that each distributor has at its disposal. And also for transparent and homogenous criteria to be established for the setting of the tariffs regulated by Autonomous Communities. Finally, and with the purpose of ensuring safety in the facilities, it is recommended for the legal criterion of action on the interruption of the supply in cases of absence of the owner or person responsible or lack of authorization to access facilities to be reviewed, always in full fulfilment of all guarantees for users.