

company-specific risk management plans as an alternative to the existing regulatory requirements and to plan for a transition should the demonstration justify it. For demonstration projects to help further the transition, the framework must identify how pipeline companies would submit, implement and improve risk management demonstration plans and how OPS, in consultation with State pipeline safety agencies, would evaluate and monitor them.

The demonstration projects are intended to test whether company-specific plans can provide equal or greater safety than the current regulatory requirements provide. The results will be evaluated, and if determined to be successful, OPS would consider expanding the application. Participation in risk management initiatives will be voluntary and subject to OPS discretion.

The proposed framework outlined below was distributed and discussed at a public meeting on this subject held on November 7, 1995, in McLean Virginia. Provisions for written comments to the framework were announced in a Federal Register notice published September 21, 1995. Through this notice, OPS is again requesting comments on the proposed framework.

DATES: Responses to this request for comments should be submitted on or before February 20, 1996.

ADDRESSES: Send comments in duplicate to the Dockets Unit, Room 8421, Research and Special Programs Administration, U.S. Department of Transportation, 400 Seventh Street, SW, Washington, DC 20590. Identify the docket and notice number stated in the heading of this notice. All comments and docketed material will be available for inspection and copying in room 8421 between 8:30 a.m. and 5 p.m. each business day.

FOR FURTHER INFORMATION CONTACT: Patrick J. Ramirez, (202) 366-9864 regarding the subject matter of this notice. Contact the Dockets Unit, (202) 366-5046, for docket material.

SUPPLEMENTARY INFORMATION:

I. Background

The Office of Pipeline Safety (OPS) furthers pipeline safety through a compliance-based system of primarily performance-based regulations embodied in 49 CFR Parts 192-195 and Part 199. The program is conducted in partnership with the states, where certified states take responsibility for intrastate pipeline systems and OPS retains responsibility for interstate pipeline systems.

Certain pipeline incidents in the last two years have heightened public awareness of, and concerns about, pipeline safety and environmental protection. Although the pipeline safety record compares favorably with other forms of energy transportation, recent incidents have raised the question of whether safety and environmental protection can be improved by means other than the current system of compliance with minimum federal requirements. There are also expectations of increasing cost and complexity of managing pipeline systems from future potential regulations. Many government and industry officials are interested in new approaches that might more effectively evaluate risks and focus resources in areas with the greatest potential for reducing risk. There is also interest in improving accountability of the industry and the government to the public.

The Department of Transportation transmitted a legislative proposal for reauthorization of the pipeline safety program on March 13, 1995 that would establish a structure to evaluate pipeline risks and their consequences, develop solutions to address the risks, and establish priorities for implementing the solutions. This process is generally referred to as Risk Assessment Prioritization.

The pipeline industry supported an approach that focused on operator risk management by explicitly authorizing demonstration projects. This approach was included in H.R. 1323 which was ordered reported by the House Committee on Transportation and Infrastructure on April 5, 1995. A similar bill was reported by the House Committee on Commerce. Section 6 of H.R. 1323 would require the Secretary to establish a demonstration project on risk management that would seek voluntary participation by operators to demonstrate applications of risk management. In carrying out the demonstrations, the Secretary would ensure that approved plans under the project achieve an equivalent or greater overall level of safety than would be achieved by complying with the existing regulatory requirements. The Department formally expressed its view to the Committee on Transportation and Infrastructure that this provision is consistent with the Department's proposal for a risk management program.

The pipeline risk management demonstration projects for interstate natural gas and hazardous liquid transmission companies would be a vital step in the transition between compliance-based regulations and risk

management. The demonstration projects would allow both the government and industry to gain some experience before extending the program. The transition period between compliance-based regulation and risk management programs used by a large segment of the pipeline industry will likely take several years.

To study the applicability and benefits of formal pipeline risk management programs, OPS, representatives of the oil and gas industry, states and local interest groups formed two "risk assessment quality action teams" (RAQTs). The first, in 1994, focused on oil and petroleum product transmission application of risk management and the second, in 1995, focused on natural gas transmission. Both RAQTs have been defining how risk management might be beneficially applied in the pipeline industry. This work has been based on how other industries and government agencies are using risk assessment and management to more efficiently allocate resources for safety.

II. Risk Assessment Quality Team (RAQT) Findings

A. Definition of Risk Management

Risk management is the process of deciding what to do about risk associated with a system. Risk can be expressed as the likelihood of an event occurring multiplied by the severity or the consequence of its effect. The goal of risk management is to set priorities for using finite resources to reduce risk.

A formal definition of risk management from a Gas Research Institute report, adopted by the Gas RAQT is: "Risk Management is the systematic application of management policies, procedures, finite resources and practices to the tasks of analyzing, assessing and controlling risks to protect the public, the environment and company employees and assets."

The Oil RAQT report stated that "Risk management is the overall logical process by which a company understands the risk associated with operation of its facilities and determines whether and how to take action to reduce or accept risks."

B. Successful Efforts in Other Industries

The RAQTs focused on how risk management practices have been applied worldwide to reduce risk from chemical, nuclear and industrial process hazards as well as from pipeline system leaks and ruptures. The teams' technical conclusions were influenced by the experience of industries and current effective practices of risk management.