

CODE REVIEW PROPOSAL No 0245
Review of arrangements regarding the detection and investigation of Theft of Gas
Version 2.0

Date: 26/06/2009

Nature and Purpose of Proposal

Background

There has been significant focus upon energy theft issues in recent years:

At the end of August 2006 the Energy Retail Association (ERA) and the Energy Networks Association (ENA) jointly established a workgroup to look at how participants in the gas and electricity markets might promote the detection, investigation and prevention of energy theft.

This joint ERA/ENA workgroup produced a final proposals document in June 2007, which was submitted to Ofgem. However since then few, if any, of the recommendations made by the report have been progressed.

British Gas has raised a separate Modification Proposal 0231 which seeks to make changes to the Reasonable Endeavours Scheme to reduce what it regards as a perverse incentive around the detection and reporting of theft.

In its Review proposal 0208, Corona Energy considered some of the impacts of theft within the context of Unallocated Energy; however the Review Group 0208 Report does not make any specific recommendations with regards to how theft should be tackled.

Proposal

British Gas proposed that a Review Group be established to undertake the following;

- Establish what best practice should be in terms of investigation, detection, data collection and reconnection.
- Establish whether there is benefit in the collection and exchange of information between parties regarding theft detection, and if so, what arrangements should exist to facilitate this.
- Consider whether the current arrangements for the resolution of identified shipperless sites are appropriate and identify any potential improvements.
- Consider the root causes which contribute to the volume of shipperless sites and suggest potential solutions.
- Review the current incentives and obligations on industry parties and consider whether they are effective and whether any perverse incentives exist, and propose remedies.
- Review the proposals made by the joint ERA/ENA workgroup and make recommendations as to how these should be progressed under the UNC.
- Identify any changes that could be made within industry arrangements that would result in better incentivisation of parties to investigate and tackle theft.
- Identify any changes that could be made within industry arrangements that would result in better co-ordination of efforts made by different parties to prevent and detect theft.

- To consider what, if any, changes should be made to industry arrangements with regards to Revenue Protection activity, such as by the introduction of a code of practice, best practice guidelines or more formal governance requirements.
- Identify and document linkages between energy theft issues covered by the UNC, and such issues covered by other gas governance mechanisms (e.g. SPAA, licences etc).
- Provide high level recommendations for appropriate changes to those other regimes to assist in overall industry theft detection and prevention

Whilst the core function of a UNC Review Group is to consider changes that can be made to the UNC, this should not preclude the Review Group making suggestions or recommendations in relation to other governance structures where the subject under discussion spans multiple regimes. If the group is to make progress, membership will need to encompass all relevant areas, including non-code parties such as those involved in revenue protection activities and other governance bodies and administrators.

Any further information (Optional)

In their review report, Corona Energy concluded that;

“As the group has no mandate to consider parties not subject to the UNC, it was unable to consider in detail the measures required to tackle theft..”

Whilst we recognise that the core function of a UNC Review Group is to consider changes that can be made to the UNC, we do not believe that this should preclude the Review Group making suggestions or recommendations in relation to other governance structures where the subject under discussion spans multiple regimes.

Furthermore, we believe that if the group is to make progress then composition of the Group will need to encompass all relevant areas, including non-code parties such as those involved in Revenue Protection activity and other governance bodies and administrators.

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) E,G,M,S

Proposer's Representative

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