

REVIEW GROUP TERMS OF REFERENCE

CODE REVIEW PROPOSAL No 0245

Review of arrangements regarding the detection and investigation of Theft of Gas Version 2.0

Date: 26/06/2009

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.

Review Group Terms of Reference

Background

There has been significant industry focus on theft of gas issues and how these processes should be managed and incorporate best practice. Recently review group 0208 identified a number of issues relating to theft of gas and modification proposal 0231 aimed to address some of these concerns. However, a number of issues identified by 0208 Review Group were outside the scope of UNC. This review group aims to address issues both inside and outside of UNC by including other non code parties within the review group.

Purpose

The aim of the group is to review industry processes that exacerbate theft of gas both within UNC and those outside that directly impact UNC. Where applicable, identify best practice which leads to the development and adoption of industry codes of practice which help to reduce the instances of theft of gas.

The Review Group is to consider the following Topics:

1. Industry Best Practice relating to the successful management of Theft
 - Identification of best practice in terms of investigation, detection, data collection and reconnection.
 - Including whether best practice should be mandated
 - Industry adoption
2. Flow of Information
 - What information currently is collected, exchanged, collated and made publicly available.
 - What information should be collected, exchanged, collated and made publicly available in order to facilitate theft detection.
 - Impacts of other regimes such as RGMA and SPAA
3. Shipperless Sites
 - Issues caused by current arrangements for the resolution of shipperless sites.
 - Root cause analysis on the causes of shipperless sites.
 - Management of orphaned sites
4. Gaps in Incentives

- Identify gaps in the current regime where the application of incentives would influence the management of theft.

5. Current Incentives

- Review current incentives on suppliers to detect theft and consider if these are appropriate.

6. Consider Definitions of Theft

- Basic definition of theft extracted from Theft Act 1968
 - (1) A person is guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it; and ‘theft’ and ‘steal’ shall be construed accordingly.
 - (2) It is immaterial whether the appropriation is made with a view to gain, or is made for the thief’s own benefit.

7. Consider the previous work of the ERA / ENA and identify if there are solutions within there which can now be taken forward to aid theft detection.

Scope and Deliverables

The Review Group shall focus on changes to the UNC, but also identify where improvements could also be made to areas of governance outside of the UNC. Where appropriate, The Review Group will identify owners and actions for parties who can influence changes to industry codes of practice and processes, to ensure information flows more accurately and represent conditions on site.

The Review Group will aim to report its conclusions and recommendations to the September 2009 UNC Panel.

Limits

The Review Group will focus on developing UNC Modification Proposals that efficiently address any issues identified in a proportionate and cost effective manner. The Review Group will consider changes required to procedures and processes within UNC, however it will not develop changes for non code processes but will requests reports from review group members who can influence changes with the appropriate industry body.

The Review Group is to be mindful of related industry obligations, processes and previous reports:

1. ENA/ERA report on theft and its recommendations;
2. Connections processes;
3. Flow of information between UNC and non UNC parties;
4. Best practice for managing theft such as those practices recommended by the UK Revenue Protection Association;

5. Licence and Legal obligations.

Composition of Review Group

Since the potential impacts of the review group are wide ranging, members would be welcome from Transporters, Shippers, Ofgem, iGTs, IGEM, Meter Asset Managers (MAMCoP), Meter Readers, SPAA and Utility Infrastructure Providers.

Bob Fletcher (Chair)	Joint Office of Gas Transporters
Helen Cuin (Secretary)	Joint Office of Gas Transporters
Alan Dick	UK Revenue Protection Association
Alison Jennings	xoserve
Andrew Wallace	Ofgem
Anne Jackson	Scottish and Southern Energy
Bali Dohel	Scotia Gas Networks
Barry Cook	National Grid Metering
Chris Hill	RWE Npower
Colette Baldwin	E.ON UK
Dave Watson	British Gas
Erika Melén	Energy Networks Association
Gareth Evans	Waterswye Association
Hannah Mummery	Consumer Focus
Ian Smith	IGEM
Joanne Ferguson	Northern Gas Networks
Lorraine McGregor	Scottish Power
Phil Lucas	National Grid Distribution
Ralph Reekie	Envoy Metering
Richard Street	Corona Energy
Sarah Westrup	GTC
Steve Gandy	E.ON UK / MAMCop
Steve Mulinganie	Onshore Consulting
Vanja Munerati	Ofgem
Simon Trivella	Wales and West Utilities

Timetable

It is proposed that a total period of 6 months be allowed to conclude this review.

Although the frequency of meetings will be subject to review and potential change by the Review Group it is suggested that the initial frequency of the meetings be monthly.

Meetings will be administered by the Joint Office and conducted in accordance with the Chairman's Guidelines.

Work Plan

Meeting	Date	Topics to be Discussed
1	20/04/09	Introductions and explore terms of reference
2	18/05/09	Approve Terms of Reference Flow of Information Shipperless Sites – session 1 Presentations by xoserve and ENA
3	01/06/09	Shipperless Sites – session 2 Best Practice Presentations by Revenue Protection Society and xoserve
4	15/06/09	Approve Terms of Reference Best Practice Shipperless Sites – incentives
5	13/07/09	Gaps in Incentives – session 1 Incentives – Session 2
6	17/08/09	Gaps in Incentives – session 2 Incentives – session 2 Draft Report
7	14/09/09	Complete Review Group Report