

CODE MODIFICATION PROPOSAL No 0274
Creation of a National Revenue Protection Service
Version 1.0

Date: 11/11/2009

Proposed Implementation Date: As soon as practical

Urgency: Non Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11700_Urgency_Criteria.pdf)

This Proposal requires development and should be referred to a specific Development Work Group. The Work Group should develop all aspects the Proposal, with deliverables being a framework in which the envisaged National Revenue Protection Service can be implemented, including non-UNC recommendations where appropriate, and business rules to cover all impacted UNC processes.

1 Nature and Purpose of Proposal (including consequence of non implementation)

Background

Following the completion of the ERA/ENA work in 2006/7 which looked at the promotion of detection, investigation and prevention of theft in the gas and electricity markets, British Gas raised a Review Proposal in June 2009 (UNC 0245) to take forward the recommendations of this group, specifically for the gas market. The industry considered the proposals drafted by British Gas; however during the review process it became clear that a number of suppliers were considering the development of an alternative recommendation – the setting up of a National Revenue Protection Service (NRPS).

As part of the review process for UNC 0245 those shippers which expressed support for the setting up of a NRPS discussed an outline for the proposed service and the nascent ideas have been formalised into an appendix to the UNC 0245 Review Group Report.

Proposal

The proposal seeks to consider the development of a NRPS. The NRPS agent would determine strategies to improve the investigation, detection and prevention of theft in the GB gas market. This would include handling theft reporting, operating mechanisms to detect theft and investigating suspected consumers. The NRPS agent would be responsible for the development of the national strategy for theft detection as well as for the holding and processing of data needed for the efficient operation of the service. It could also offer field services to those parties unable to run a national field force of agents capable of attending site.

Costs - The proposal intends that the costs for such activity would be borne by the gas industry. The NRPS would attempt to recover money from customers who had stolen energy; subject to legislative and practical considerations the NRPS would also attempt to recover its own costs from the offending customer. Any costs not borne by the consumer would be borne by the industry. It is also reasonable to suppose that the NRPS agent would have some form of profit incentive, based around the amount of money recovered.

Service Provision Flexibility - The scheme should allow for some parties who may wish to continue to perform certain parts of the service in-house to continue doing so, where it would not impact on the ability of the NRPS to adequately perform its activities. Therefore, subject to adequate safeguards, it should be possible to allow flexibility in these arrangements.

The proposal would also seek to encourage the participation of Consumer Focus (or other consumer representatives) in the development phase to ensure that the issue of vulnerable and fuel poor customers are considered in the scope of the service.

2

User Pays

a) Classification of the Proposal as User Pays or not and justification for classification

Development of this Proposal would need to consider whether or not there was any impact on xoserve and hence whether or not classification as User Pays is appropriate.

b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

c) Proposed charge(s) for application of Users Pays charges to Shippers

d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve

3

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 and 2 of the Gas Transporters Licence

The changes envisaged would support costs being allocated to the parties responsible and hence implementation would be expected to further the Relevant Objective of securing effective competition between Shippers and between Suppliers.

By implementing a consistent and cost effective approach to theft, implementation would be consistent with promoting the efficient implementation and administration of the UNC

4 **Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text**

The advantages of the proposed approach are:

1. It ensures fair revenue allocation and that all parties profit equally from theft detection so creating a positive environment for theft detection.
2. It ensures that all customers would be treated in the same manner irrespective of the supplier/shipper relationship.
3. It prevents customers who may seek to use the change of supply arrangements to circumvent theft detection strategies by ensuring that there is an over-arching view of theft prevention strategies from a national perspective.
4. It would promote a universal approach to management of data –for example - the tracking of Stolen Meters.
5. It could provide a nationally promoted line for reporting suspected incidents of meter interference by householders.

Whilst we recognise that the scope of the UNC development process is to consider changes to the UNC, we believe that development of this proposal should include consideration of a project plan for the commercial elements of delivering the NRPS, identifying an appropriate route for all aspects to be implemented when it is concluded that the UNC is not appropriate.

We also request that where possible, the development group membership should encompass all relevant areas, including consumer representatives, revenue protection providers and any other governance bodies/administrators that may have a direct involvement in the delivery of these services.

5 **Code Concerned, sections and paragraphs**

- a) Uniform Network Code
- b) Transportation Principal Document

Section(s) E, G, M, S

Proposer's Representative

Colette Baldwin (E.ON)

Proposer

Colette Baldwin (E.ON)