

Representation

Draft Modification Report

0399: Transparency of Theft Detection Performance

Consultation close out date: 02 March 2012

Respond to: enquiries@gasgovernance.co.uk

Organisation: **ScottishPower Energy Management Ltd**

Representative: David McCrone

Date of Representation: 2 March 2012

Do you support or oppose implementation?

Not in Support

[Top of Form](#)

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

ScottishPower takes its obligations around the detection and prevention of theft seriously but does not support the steps proposed by this modification. The proposer's rationale for this change is that it will enable "more theft to be detected". There has been no evidence provided that this would be the case and is only the proposer's own view. The reports only provide visibility of the number of cases of suspected theft, those which have been confirmed, and which Shippers are better at doing this. Without these better performing Shippers (or Transporters) sharing information on their theft detection methods and techniques, Shipper (and Transporter) activity and strategy will not be better informed. This issue must be addressed sufficiently if removing the anonymity is to be considered.

Industry data provided by Xoserve (MOD0277) and the ERA/ENA ("Report of the Theft Of Energy Working Groups", April 2006) found that there were certain geographical locations within the United Kingdom where theft is more prevalent. It therefore follows that as all Suppliers have different geographical presence that Suppliers will see different incidence of theft on their portfolio. Indeed the mix of customers and the churn of them will result in different experiences of theft, which will factor into the theft identification and investigation that they undertake.

Given these points we are concerned about using theft reports to undertake benchmarking activity and would query how the provision of aggregate levels of theft investigation statistics allows for benchmarking. This point has not been substantiated by the Proposer. In particular we are concerned that some shippers, who are otherwise making efforts to detect and prevent theft, may be accused of inaction by others without being provided with a sufficient right of reply. This risk of unjustified accusations, and subsequent reputational damage, could be detrimental to competition. We have also seen nothing from the Proposer to demonstrate how this information would be controlled so as not to be available beyond industry Parties.

We have some support for additional reporting where there is a proven benefit, including that on Network Owners' performance, but do not see the need for this to be published freely as suggested. Under the current arrangements Ofgem retain the ability to determine whether there are any issues and challenge those parties which may or may not be fulfilling their obligations.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

We have concerns over how the information that would be placed in the public domain as a result of this modification will be controlled and note that the Proposer has not made any suggestions to address this concern. The proposal lacks assurances about how the data made available would be used, and by whom, and how the release of information to parties outside of Users would be restricted.

There is an additional area of concern when consideration of this Mod is taken in tandem with the potential implementation of one of the two SETS schemes (Mods 277 & 346). With the added transparency that this modification will bring and should one of the SETS schemes be adopted by Ofgem, there would exist an opportunity for all parties to have visibility of each other's SETS targets and their progress towards these throughout the year. This could provide a disincentive to investigate suspected cases of theft should all Shippers have met their SETS detection before the end of the reporting year (as Shippers would receive the same value of incentive payment as they paid into the schemes) with a view to keeping subsequent year's targets as low as possible.

Some Shippers and Suppliers might also view their theft detection techniques as commercially sensitive with regard to the SETS scheme and could see sharing this information as part of a benchmarking exercise as potentially increasing their financial risk.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

c) Efficient discharge of the licensee's obligations.

There is no evidence provided that the removal of anonymity will result in an increase in the detection of theft. This is the proposer's own view and has not been substantiated. Even if it were to result in an improvement, the modification as drafted does not consider how best practice would be shared and any improvements achieved. We do not therefore believe that the removal of anonymity alone would result in an efficient discharge of the licensee's obligations and better facilitate relevant objective (c).

d) Securing of effective competition:

(i) between relevant shippers;

(ii) between relevant suppliers; and/or

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

The proposal states that removal of anonymity will "have a positive impact of Shipper's performance in detecting theft" and secure more effective competition through the reduction of socialised costs. It is not set out how the removal of anonymity in isolation will do this and appears to be purely speculation/assumption by the Proposer.

We believe that the removal of anonymity may actually be detrimental to competition by parties being unjustifiably accused of inaction by other Shippers. It has been shown that the prevalence of theft is not uniform so to arbitrarily remove the anonymity from the reports without taking this into consideration is too simplistic. In addition the risk of reputational damage stemming from spurious accusations could also be detrimental to competition and therefore the furtherance relevant objective (d) is not assured.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

We do not consider that there would be any material systems costs as a result of this modification.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

If successful, we believe that further work would be required to establish governance around how the information is controlled and under what forum the best practice envisaged by the proposer is identified. This will impact the date on which the modification can be implemented.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

We believe that the legal text meets the intent of the modification as drafted.

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

We understand that the proposer's intent is to improve theft detection performance across the industry and we welcome this. We do not believe that this modification alone will achieve this aim and indeed may have unintended consequences that are to the detriment of competition and the market more generally. There are however other proposals currently with Ofgem that may lead to improvements which would address the aim of increased theft detection performance. The National Revenue Protection Service (NRPS) will provide the principles of sharing best practice that the proposer seeks to achieve, as well as more extensive reporting, and is a more considered and structured proposal than this modification. The concerns described above can therefore be addressed and their effects mitigated by introducing the NRPS solution.

Bottom of Form