Joint Office of Gas Transporters

UNC Request Workgroup Report	At what stage is this document in the process?

UNC 0677R:

Shipper and Supplier Theft of Gas Reporting Arrangements

01 Request

02 Workgroup Report

03 Final Modification Report

Purpose of Request:

This request is to review and identify any discrepancies in Shippers and Suppliers theft of gas reporting arrangements.

✓	The Workgroup recommends that the Panel consider the recommendations contained in this Workgroup Report and close this Workgroup.
❗	High Impact:
❗	Medium Impact: Shippers, Transporters, CDSP
❗	Low Impact:

Joint Office of Gas Transporters

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About this document:

This document is a Request, which will be presented to the panel on 21 November 2019.

The Panel will consider the recommendation and agree whether this Request should be closed or referred back to a Workgroup for further review.

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Any questions?

Contact:
Joint Office of Gas Transporters

enquiries@gasgovernance.co.uk

0121 288 2107

Proposer:
Carl Whitehouse

carl.whitehouse@shellenergy.co.uk

07545 209826

Systems Provider:
Xoserve

UKLink@xoserve.com

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Joint Office of Gas Transporters

1   Request

Why is the Request being made?

This request has been proposed on behalf of the Performance Assurance Committee (PAC).

Issue

Gas theft leads to a misallocation of costs among industry parties which can distort competition and create inefficiencies in the market. Gas Shippers and Suppliers currently have individual responsibilities when reporting confirmed and unconfirmed cases of theft. The PAC highlights theft of gas as the biggest risk to accurate settlement and proposes a review of all gas theft processes and reporting followed by Shippers and Suppliers. This would require a cross codes workgroup (UNC and SPAA) to investigate potential deficiencies in the theft of gas reporting processes and identify potential solutions including changing industry codes.

Shippers report cases of confirmed theft to the Central Data Services Provider (CDSP). This information is made available to the Allocation of Unidentified Gas Expert (AUGE) to determine the impact on Unidentified Gas (UG) through the use of Unidentified Gas (UG) factors and then apportioned to Product Classes. Shipper performance reports are made publicly available on the Joint Office website.

Suppliers are obligated to report cases of confirmed theft on a monthly basis specifically through the Supply Point Administration Agreement (SPAA) Schedule 33 Theft Code of Practice. An annual report is compiled by the SPAA code administrator. The report is anonymised for publishing to the industry however the Authority receives named reporting.

Theft of Gas Reporting

The creation of the Theft Risk Assessment Service (TRAS) in 2016 has provided the industry with more detailed analysis and reporting. There are concerns in the industry that the numbers and related energy (kWh) reported by Shippers and Suppliers do not match. This is reflected in the detail of various reports:

5 February 2018: Theft Overview for the PAC – 21,075 confirmed thefts (176,262,156 kWh) reported for period April 2016 to April 2017 inclusive.

13 November 2018: Energy Theft Performance Assurance Report TRAS and Energy Theft Tip Off Service (ETTOS) – 68,068 confirmed thefts reported for period April 2016 to June 2018 inclusive.

Monthly Shipper Theft of Gas Reports - 4,125 "number of cases cleared as valid" reported for period January 2017 to October 2018 inclusive.

Scope

The scope of this request only focuses on theft of gas reporting processes completed by the Shipper and a corresponding SPAA document is to be raised to ensure supplier processes are also covered. The reports from the Joint Workgroup to the relevant Code Panels will include details of any recommendations for related cross code changes. Gas Transporters also have theft of gas reporting obligations and although this is not the primary focus of this review their attendance and input will be welcome.

Impacts & Costs

Shippers and Suppliers will be impacted mostly by this request if potential changes are recommended to how theft of gas is reported. There could also be some CDSP impact to central systems as a result of any proposed changes.

Recommendations

It is proposed that a Joint Workgroup is held to ensure both Shippers and Suppliers theft of gas processes are investigated to ensure theft of gas is reported effectively and efficiently.

Additional Information

A Code Administration Joint Working Practice document has been developed to facilitate the Code Administrators Code of Practice (CACoP) Principle 13, Code Administrators will ensure cross code coordination to progress changes efficiently where Modifications impact multiple codes. This document highlights that where practicable a joint meeting or back to back workgroup meetings (held on the same or consecutive day(s) at the same location) should be used. In this case a Joint Workgroup is proposed.

2   Impacts and Costs

Consideration of Wider Industry Impacts

None identified.

Impacts

Impact on Central Systems and Process	
Central System/Process	Potential impact
UK Link	• CMS Reporting
Operational Processes	• None

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	• How Shippers report theft of gas
Development, capital and operating costs	• How Shippers report theft of gas
Contractual risks	• None
Legislative, regulatory and contractual obligations and relationships	• None

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	• None
Development, capital and operating costs	• None

Impact on Transporters	
Recovery of costs	• None
Price regulation	• None
Contractual risks	• None
Legislative, regulatory and contractual obligations and relationships	• None
Standards of service	• None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	• None
UNC Committees	• None
General administration	• None
DSC Committees	• None

Impact on Code	
Code section	Potential impact
	• TPD Section V14

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	• None
General	Potential Impact
Legal Text Guidance Document	• None
UNC Modification Proposals – Guidance for Proposers	• None
Self-Governance Guidance	• None
	•
TPD	Potential Impact
Network Code Operations Reporting Manual (TPD V12)	• None
UNC Data Dictionary	• None
AQ Validation Rules (TPD V12)	• None

Impact on UNC Related Documents and Other Referenced Documents	
AUGE Framework Document	• Dependant on any proposed solutions
Customer Settlement Error Claims Process	• None
Demand Estimation Methodology	• None
Energy Balancing Credit Rules (TPD X2.1)	• None
Energy Settlement Performance Assurance Regime	• None
Guidelines to optimise the use of AQ amendment system capacity	• None
Guidelines for Sub-Deduct Arrangements (Prime and Sub-deduct Meter Points)	• None
LDZ Shrinkage Adjustment Methodology	• None
Performance Assurance Report Register	• Dependant on any proposed solutions
Shares Supply Meter Points Guide and Procedures	• None
Shipper Communications in Incidents of CO Poisoning, Gas Fire/Explosions and Local Gas Supply Emergency	• None
Standards of Service Query Management Operational Guidelines	• None
Network Code Validation Rules	• None
	•
OAD	Potential Impact
Measurement Error Notification Guidelines (TPD V12)	• None
	•
EID	Potential Impact
Moffat Designated Arrangements	• None
	•
IGTAD	Potential Impact
	• None
DSC / CDSP	Potential Impact
Change Management Procedures	• None

Impact on UNC Related Documents and Other Referenced Documents	
Contract Management Procedures	• None
Credit Policy	• None
Credit Rules	• None
UK Link Manual	• None
	•

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	• None
Gas Transporter Licence	• None

Other Impacts	
Item impacted	Potential impact
Security of Supply	• None
Operation of the Total System	• None
Industry fragmentation	• None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	• None

3   Terms of Reference

Background

Topics for Discussion

- Understanding the objective

- Assessment of alternative means to achieve objective

- Development of Solution (including business rules if appropriate)

- Assessment of potential impacts of the Request

- Assessment of implementation costs of any solution identified during the Request

- Assessment of legal text.

Outputs

Produce a Workgroup Report for submission to the Modification Panel, containing the assessment and recommendations of the Workgroup including a draft Modification where appropriate.

Composition of Workgroup

The Joint Workgroup is open to any party that wishes to attend or participate.

A Workgroup meeting will be quorate from a UNC perspective provided at least two Shipper Users and two Transporter representatives are present. It is anticipated that the corresponding SPAA proposal will require that two Supplier representatives are present.

Meeting Arrangements

The Joint Office and Electralink will provide the Chair, Secretariat, and facilities for the Joint Workgroup for alternating meetings to ensure costs are equitable. Both administrators have also committed to being present at all meetings to support their respective code processes.

Meetings will be conducted in accordance with the Code Administration Code of Practice.

4   Recommendations

Summary of Joint Workgroup Recommendations to Panel

The Joint Workgroup identified the following recommendations which could impact the UNC, IGT UNC and/or DSC. The attached Joint Workgroup Report includes SPAA recommendations, some of which would need to be progressed with an associated UNC/DSC change:

1. Transporters have proposed to make amendments to the Transportation Principal Document (TPD) Section V (UNC Mod 0399 theft reporting) in light of the removal of the SPAA Schedule 33 reporting requirements and to better align UNC reporting with regulatory reporting packs. Please note this recommendation is being progressed in UNC Modification 0704 - Review of Transporter Theft Reporting.

2. IGTs have proposed that amendments are made to the IGTUNC to require that IGTs submit theft data to Ofgem on request, in light of the removal of the SPAA Schedule 33 reporting requirements

3. Obligations should be placed on Shippers in the UNC to ensure confirmed theft information, reported by Suppliers, is entered into Settlement systems for Settlement purposes, and that AQ corrections are carried out as may be required

4. The Joint Workgroup recommends that only confirmed theft investigation outcomes are entered into Settlement systems (see recommendation 29 also)

5. UNC/DSC parties shall cooperate with Suppliers in reviewing how AQ corrections are carried out and make a recommendation for improvement as may be necessary, including a consideration of whether performance assurance is required in relation to the update of AQs following confirmed theft

6. Any new obligations on Shippers to ensure confirmed theft information reported by Suppliers is entered into Settlement systems for Settlement purposes should be achieved through changes to Settlement systems to enable the automated input of TRAS data into Settlement systems, where theft is confirmed by the Supplier in TRAS

7. Shippers should be provided with an opportunity to review any confirmed theft data that is output from TRAS prior to final Settlement and Shippers should work with Suppliers to develop prescribed grounds and timescales upon which objections and/or queries may be raised and resolved

8. Changes should be made to Settlement systems to reduce the mandatory data items required to confirm theft in Settlement systems to the minimum required (i.e. MPRN, assessed loss figure, start date, end date and Supplier Investigation ID) to assist the automatic input of confirmed theft information from TRAS to Settlement systems

9. To enable the automated input of theft volume information from TRAS into Settlement systems, the JTRR recommends that a standard conversion is applied and the point at which the conversion from kWh to m^3 is carried out is fixed – this could be achieved through instructing the TRAS Service Provider to undertake the conversion prior to transmitting the TRAS confirmed theft output file, or through a conversion by Xoserve following receipt of the confirmed theft output file from TRAS

10. UNC/DSC Parties should work with SPAA Parties to determine what process is undertaken to carry out the conversion of kWh to m^3 to facilitate the input of TRAS confirmed theft data into Settlement systems, with industry parties being consulted prior to implementation

11. Obligations should be placed on Shippers in the UNC to require that suspected or alleged theft information is provided to the relevant Supplier, and Suppliers and Shippers should work together to determine the process and timescales by which this is undertaken - AGREE

12. Changes should be made to Settlement systems to improve the way in which suspected theft records are treated, where these are raised by either the Shipper or Transporter, with the records no longer remaining 'open' until an outcome is provided or 'auto-closing' where no outcome is provided but instead closing once the Shipper confirms the information has been passed to the Supplier by providing the Supplier Investigation ID once it is returned by the Supplier

13. Consideration should be given by UNC Parties as to whether there is a need to provide assurance of Shipper performance with respect to any obligations to provide suspected theft information to Suppliers, potentially via the UNC Performance Assurance Committee and/or via a periodic comparison of TRAS and Settlement systems data, with the support of the TRAS Service Provider ad SPAA Parties

14. UNC/DSC Parties should cooperate with SPAA Parties in reviewing whether and how historic confirmed theft information in Settlement systems that does not appear in TRAS can be retrospectively added to TRAS and, should SPAA Parties elect to do this, UNC/DSC Parties should assist in the resolution of any queries that may arise from Suppliers

15. UNC/DSC Parties should consider whether historic confirmed theft information in TRAS that does not appear in Settlement systems should be retrospectively added to Settlement systems and, should UNC/DSC Parties elect to do this, SPAA Parties should assist in the resolution of any queries that may arise from Shippers

16. UNC/DSC Parties should review the UNC Reasonable Endeavours scheme in conjunction with SPAA Parties and consider whether this is operating appropriately and whether changes are required to enable Suppliers to better access the scheme

Workgroup's Recommendation to Panel

The Workgroup invites the Panel to:

- To consider the recommendations in the Joint Workgroup Report and how these should be taken forward

- To close this Workgroup.

It should be noted that SPAA Executive Committee (SPAA EC) have indicated they would be supportive of further Joint Workgroups to develop the Joint Workgroup report recommendations into Modifications. The SPAA Code Adminstrator have advised that they intend to create a detailed workplan for the mobilisation/implementation phase of work for developing changes with the intention of seeking approval at the SPAA EC at the end of November.

5   Joint Workgroup Report

Joint Theft Reporting Review Group*

Working Group Closure Report

Chair: Fraser Mathieson
Email: fraser.mathieson@electralink.co.uk
Contact Number: 07921 458276

SPAA Lead: Michelle Simpson
Email: michelle.simpson@electralink.co.uk
Contact Number: 07770 702950

UNC Lead: Chris Shanley
Email: chris.shanley@gasgovernance.co.uk
Contact Number: 07903 037455

* Joint SPAA and UNC Working Group (including UNC 0677R Shipper and Supplier Theft of Gas Reporting Arrangements)

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Executive Summary

INTRODUCTION

This document represents the final report of the Joint Theft Reporting Review Group (JTRR). It provides a series of detailed recommendations as a result of issues raised by industry parties in relation to theft of gas reporting processes.

Established as a cross-code working group between Supply Point Administration Agreement (SPAA) and Uniform Network Code (UNC) parties, the JTRR was set up to; review theft reporting arrangements for Suppliers, Shippers and Transporters; consider concerns over discrepancies between Supplier and Shipper theft reporting; consider whether current theft reporting can be simplified; and, produce clear recommendations for improvement.

The JTRR met on eight occasions and identified circa 30 issues relating to theft of gas reporting. The issues included, amongst other things, that multiple theft reporting channels exist for SPAA and UNC parties and that requirements for Suppliers and Shippers to report theft to one and other are not currently codified. This group represented the first time that Suppliers, Shippers and Transporters had met in a joint Working Group to discuss theft of gas reporting. It provided a unique opportunity to consider in a holistic way, the reporting of gas theft information from those responsible for carrying out investigations (i.e. Suppliers) to those responsible for ensuring theft consumption data is entered into Settlement (i.e. Shippers and Transporters). The group was supported by representatives from ElectraLink as the code administrator for both SPAA and the Theft Risk Assessment Service (TRAS); Xoserve as the Central Data Service Provider; DNVL-GL as the Allocation of Unidentified Gas Expert (AUGE), and; the Joint Office of Gas Transporters as the code administrator for the UNC.

The group has considered the issues identified at length and provided detailed recommendations in response. The recommendations are ultimately aimed at making theft reporting requirements less burdensome and more accurate, ensuring that parties are talking to one and other, and that the benefits of theft investigations undertaken by Suppliers at significant cost are more fully realised in Settlement. In achieving this aim, the recommendations of the group are designed to simplify existing gas theft reporting for all parties, to improve and ensure the accuracy and use of theft consumption data in Settlement and to codify responsibilities to ensure they are clear and unambiguous for all.

METHOD OF REVIEW

At Meeting 01 held 01 March 2019, the JTRR discussed current theft reporting arrangements for Suppliers, Shippers and Transporters and created an issues log that would form the basis of its review. At subsequent JTRR meetings, the group developed and reviewed evidence that supported the existence of the issues identified using data and information kindly provided by ElectraLink, Xoserve and the AUGE. The group then considered options to reduce or eliminate the issues and, having identified a preferred option, developed a series of detailed recommendations for SPAA, UNC, IGTUNC and Data Services Contract (DSC) parties to implement, subject to approval by industry parties. Whilst non-binding, the recommendations of the JTRR should be viewed as the considered position of industry parties following detailed discussion on the issues raised within a formal cross-code working group setting.

KEY FINDINGS

The JTRR identified several similar themes in the issues raised by SPAA and UNC parties, one of which was that multiple reporting channels exist for Suppliers and Transporters. Some of which appear to be obsolete and should therefore be removed. The group also identified clear evidence of a significant discrepancy between the number of confirmed thefts reported by Suppliers via TRAS and those reported by Shippers via

Xoserve's Contact Management System (CMS). Potential causes of this include that theft reporting requirements between Suppliers and Shippers are not currently codified and reporting obligations between these parties may not be clear, leading to confirmed theft data not entering Settlement. The group found that the parallel use of both TRAS and CMS to record conformed theft data, and the lack of codified requirements for Suppliers and Shippers to report theft to one and other, was very likely to contribute to the discrepancy identified and cause uncertainty for market participants with regard to reporting obligations. Further detailed information on the considerations and findings of this group is provided in the full report below.

Further key findings include:

- 30% of confirmed theft records in TRAS do not appear in CMS
- 17% of confirmed theft records in CMS do not appear in TRAS
- There are no current requirements in code or licence for Suppliers and Shippers to report confirmed theft to one and other, or to ensure this enters Settlement
- There are significant discrepancies between assessed loss figures provided by Suppliers via TRAS and Shippers via CMS
- The volume of the largest confirmed theft in TRAS that does not appear in CMS is 85GWh
- The parallel use of TRAS and CMS to record suspected and confirmed theft may be problematic unless the two systems 'speak' to one and other
- The input of theft information into CMS is 'manual' and may create an administrative burden for Shippers
- 20 of 43 Shippers have never raised or updated a theft of gas record in CMS
- A number of Shippers close all theft records in CMS as invalid or allow the records to 'auto-close' with no outcome provided
- There may be differing methods applied by parties in converting volume units (e.g. cubic meters) to energy (kWh) and vice versa
- Theft from prepayment meters accounts for 78% of all theft and 'fiscal theft' is common with this meter type yet there is no designated 'tamper code' within TRAS to indicate this type of theft
- 40% of confirmed theft records in TRAS have no start/end date

RECOMMENDATIONS

At a high level, the JTRR have recommended significant changes to the way in which theft of gas reporting operates. The recommendations would make the confirmation of theft in CMS for Settlement purposes an activity that is driven by data provided by Suppliers via TRAS – thereby enabling the industry to better realise the benefit of data obtained by Suppliers as a result of theft investigations required under licence and reducing the likelihood of confirmed theft data not entering Settlement. The recommendations would increase the use of theft consumption data into Settlement, reduce the potential issues associated with 'handoffs' of data between parties by automating the recording of theft data in CMS and improve the validations applied to TRAS. The effect of the recommendations, if implemented, would be to; reduce the number of theft reporting channels and therefore the administrative burden for all parties; eliminate the discrepancy between TRAS and CMS and ensure confirmed theft information enters Settlement; and, ensure the obligations of parties are codified and unambiguous.

The detailed recommendations and rationales of the JTRR are discussed later in the full report, and a summary of key recommendations is provided below:

- obligations should be placed on Shippers within the UNC to ensure confirmed theft information reported by Suppliers is entered into Settlement

- obligations should be placed on Suppliers via SPAA to ensure confirmed theft information is provided to the Shipper, to be entered into Settlement
- this should be achieved through the automated input of TRAS data into CMS, whereby a monthly confirmed theft output file is sent from the TRAS Service Provider to Xoserve and confirmed theft information automatically added to CMS (and therefore Settlement)
- Shippers should be provided with an opportunity to review and object to the data output from TRAS
- changes should be made to TRAS to validate that MRPN, loss figures, start/end dates and Supplier Investigation ID are provided when theft is confirmed by Suppliers – thereby enabling automation between TRAS and CMS and assisting improvements to the treatment of suspected theft reports
- the annual theft reporting requirement on Suppliers, Transporters and IGTs, within SPAA Schedule 33, should be removed
- A fiscal theft tamper code should be added to the TRAS programming manual
- Both SPAA and UNC Parties should consider whether performance assurance is required in relation to compliance with TRAS and the reporting of suspected theft by the Shipper to the Supplier
- SPAA, UNC and DSC Parties should consider whether historic confirmed theft data that does not currently appear within TRAS and CMS respectively , should be input retrospectively
- SPAA, UNC and DSC Parties should review the UNC 'Reasonable Endeavours' scheme to ensure any benefits are fully realised
- SPAA, UNC and DSC Parties should cooperate in the development and implementation of the JTRR's recommendations

Background

FORMATION OF THE GROUP

The Joint Theft Reporting Review Working Group (JTRR) was established as a sub-committee of the SPAA Executive Committee (SPAA EC) pursuant to Clause 6.2.18 of the SPAA Main Body v13.0 and a request group subject to paragraph 11.4 of the UNC General Modification Rules.

The group was established as a joint SPAA and UNC Working Group to enable the joint review of theft reporting arrangements for Suppliers, Shippers and Transporters. The aim of this review was to address concerns over discrepancies in the number of thefts reported by Suppliers, Shippers and Transporters and potential impacts on theft allocations, within Unidentified Gas (UIG) calculations, that are used in Settlement. The scope of this Working Group was to review theft reporting arrangements contained within SPAA and the UNC, and, with reference to relevant licence conditions, make a recommendation for any change that may be required to improve theft reporting arrangements.

CONSTITUTION

The JTRR was established as a joint SPAA and UNC Working Group, to ensure the views of Suppliers, Shippers and Transporters could be considered together.

To encourage a wide range of attendees, invitations to meetings of the JTRR were sent to both SPAA and UNC parties and any party that considered they had interest were welcome to attend. Additional parties encouraged to attend included Xoserve, the AUGE and Ofgem.

The SPAA Terms of Reference (ToR) (see Attachment 01) requested that Working Group members held knowledge of the SPAA and UNC and understand current theft reporting processes.

OBJECTIVES

The group's ToR provided the following objectives:

1. Review theft reporting arrangements for Suppliers, Shippers and Transporters;
2. Consider concerns that the levels of theft in UIG calculations may be incorrect;
3. Consider how to eradicate discrepancies between Supplier and Shipper theft reporting;
4. Consider whether current theft reporting arrangements can be simplified;
5. Consider the uses and value of current theft reporting;
6. Develop any SPAA or UNC changes, as may be deemed necessary, to improve the reporting arrangements;
7. Produce a Working Group report with a clear recommendation, and;
8. Agree any implementation approach and timescales.

REVIEW PRINCIPLES

At Meeting 01 held 01 March 2019, the group agreed a series of principles that would underpin the review, which included:

For SPAA parties, ensuring that Supplier and Transporter theft reporting requirements are:

- Clear and unambiguous (i.e. that parties know exactly what their responsibilities are);
- Objective (i.e. not open to interpretation);
- Valid (i.e. that they accurately represent what is going in the field);

- Proportionate (i.e. that the effort input is commensurate to the benefit output);
- Whether the reporting can be better aligned to the end uses of the data (i.e. in Settlement); and
- There is sufficient oversight of processes.

For UNC parties, ensuring:

- That confirmed thefts from Suppliers make it through to central systems for Settlement;
- That the responsibilities of UNC parties are clear and unambiguous;
- That any gaps or discrepancies in Supplier to Shipper to central systems reporting are reviewed and accounted for, and;
- That the value of the data generated by theft detection and investigation processes is realised in Settlement.

Summary of Work

WORKPLAN

On establishment of the JTRR, the SPAA EC and UNC Panel approved five review meetings initially. Following Meeting 04, held 03 June 2019, a three-meeting extension was approved to provide further time to discuss gather information on the issues identified and to provide more time to evaluate potential solution options prior to a recommendation for improvement being made.

The table below outlines the amended JTRR workplan, following approval of the extension request.

Meeting No.:	Prospective Outputs:
Meeting 1 – 01 March 2019:	- Overview of Terms of Reference (SPAA & UNC) - Review of draft workplan - Overview of current processes: - Supplier/Shipper Theft Detection Process - SPAA Theft Reporting Processes - UNC Theft Reporting Processes - Development of Issues Log to identify areas of concern - Agreement of next steps
Meeting 2 – 29 March 2019:	- Actions/further information related to overview of current processes - Refinement of Issues Log - Prioritisation of issues for discussion - Initial identification of solution options - Identification of actions required to further inform solution discussions - Agreement of next steps
Meeting 3 – 03 May 2019:	- Review of Issues Log - Discussion of high priority issues - Discussion of information provided by the AUGE, Xoserve and ElectraLink relating to issues and potential solutions - Identification of actions required to further inform solution discussions

	• Agreement of next steps
Meeting 4 – 03 June 2019:	• Discussion of information provided by the AUGE, Xoserve and ElectraLink relating to issues and potential solutions • Review of lower priority issues • Identification of commonalities between issues and potential solutions • Agreement of next steps • Consideration of whether further meetings required
Meeting 5 – 28 June 2019:	• Review of solution options for issues relating to Suppliers and Shippers • Review of solution options for issues relating to Transporters • Evaluation of solution options • Identification of actions required to further evaluate solution options
Extension Meetings	
Meeting 6 – 26 July 2019:	• Discussion of information provided by the AUGE, Xoserve and ElectraLink relating to issues and potential solutions • Further evaluation of potential solutions and recommendations • Identification of actions required to enact solution options • Development of draft code changes • Begin compilation of Working Group report
Meeting 7 – 30 August 2019	• Discussion of actions or information relating to the development of solution options • Identification of further actions required to enact solution options • Agreement of group's final solution recommendations • Development of draft code changes • Finalise draft Working Group report
Meeting 8 – 27 September 2019	• Review/finalisation of draft code changes • Agreement of any other final recommendations • Finalise Working Group Report

GROUP MEMBERSHIP

The JTRR's ToR provided that attendance was open to all SPAA Parties, all UNC Parties, Xoserve, the AUGE, Ofgem and any other interested party. The ToR requested that members of the group include individuals who have knowledge of the SPAA and the UNC and who understand current theft reporting processes. Awareness of the group has been raised through a range of industry groups, including the SPAA Theft Issues Group (TIG), the SPAA EC, the UNC Panel, the UNC Distribution Workgroup, Xoserve governance meetings and the monthly SPAA Newsletter.

Overall, attendance and representation from industry parties was good, with 22 organisations in attendance during the course of the review. The following organisations joined at least one Working Group meeting:

Participant Name	Market Role
British Gas	Supplier and Shipper
BUUK	Independent Gas Transporter

Cadent	Transporter
DNV-GL	AUGE
E.ON	Supplier and Shipper
EDF Energy	Supplier and Shipper
ElectraLink	SPAA Code Administrator
iSupply Energy	Supplier
Joint Office of Gas Transporters	UNC Code Administrator
Northern Gas Networks	Transporter
Npower	Supplier and Shipper
Ofgem	The Authority
Opus Energy	Supplier
Ovo Energy	Supplier and Shipper
Scottish Power	Supplier and Shipper
SGN	Transporter
Shell Energy	Supplier and Shipper
Spark Energy	Supplier and Shipper
Squeaky Clean Energy	Supplier
SSE	Supplier and Shipper
Wales and West Utilities	Transporter
Xoserve	Central Data Service Provider

SUMMARY OF MEETING OUTCOMES

The key outcomes of each JTRR meeting, as agreed by the meeting attendees, are provided below:

Meeting 01 (01 March 2019):

- Group reviewed the Terms of Reference and agreed aspects of the scope of the review
- Group reviewed and agreed a firm workplan and this was approved by the March EC on 27 March 2019
- Initial overviews of theft reporting processes for Suppliers, Shippers and Transporters were provided and additional actions taken away to provided clarifications
- A draft issues log was developed and will form the basis of the group's review

Meeting 02 (31 March 2019):

- Group reviewed outstanding actions and received further overviews of theft processes from Suppliers, Transporters and Xoserve
- Group reviewed and refined the issues log and began to identify potential solution options for further consideration at Meeting 03
- Group have identified c.30 issues for review (many of which are linked or may have the same solution)

Meeting 03 (03 May 2019):

- The group have prioritised the issues within the log for review and commenced detailed discussion of the high priority issues at Meeting 03
- The group discussed each high priority issue with a view to identifying potential solution options and a number of actions have been taken away by Xoserve, ElectraLink, the Joint Office and meeting attendees to provide further information or overviews of process to the group
- ElectraLink are due to discuss the progression of the group with Ofgem, and to identify any synergies with the review of other theft arrangements (such as the review of TRAS compliance)
- The Allocation of Unidentified Gas Expert (AUGE) has provided initial information that indicates a significant contributor to the discrepancy between Supplier and Shipper reported theft data may be an issue with the way volume units are processed within central systems – as the discrepancies that occur are often very similar to the discrepancy that would occur if volume cubic meters were treated as kWh by mistake
- Joint working with the Joint Office is progressing well, with regular update calls being held and a clear split of work agreed
- By means of an early warning notice, the group may request an extension to ensure it is able to fully consider the issues identified and develop any potential solution options as may be necessary

Meeting 04 (03 June 2019):

- The group has discussed information provided by Xoserve relating to theft of gas referrals in the CMS, and has considered how this affects the Issues Log and potential improvement recommendations
- The group has discussed information provided by the AUGE on the mismatch of data between the TRAS and CMS, and has considered how this affects the group's potential improvement recommendations
- The group has reviewed the issues not yet reviewed, identifying commonalities with other issues and potential improvement recommendations
- All issues raised by industry parties have received initial review and discussion
- The group has agreed that further meetings will be required to further discuss the potential solution recommendations as there is a degree of complexity in the potential solutions and a high degree of overlap between certain issues and potential solutions that will require detailed evaluation

Meeting 05 (28 June 2019):

- The group evaluated the solution options put forward thus far and agreed that a SPAA Change Proposal and UNC Modification will be raised in relation to SPAA Schedule 33 theft reporting; and
- The group identified proposers for each change and considered other potential solution options, taking away actions to obtain further information to be provided by Xoserve, ElectraLink and Suppliers/Shippers. At Meeting 06, the group will review draft changes, consider further changes to be raised an begin compilation of the Working Group report.

Meeting 06 (26 July 2019):

- The group discussed the high level solution recommendations agreed thus far, including
  - Suppliers and Shippers should have code obligations to report theft to one and other, which is currently not in code
  - TRAS and CMS data should be periodically compared and validated to ensure all confirmed theft appears in both systems and that volumes, dates and outcomes match

- o Shippers should have code obligations to correct AQs or carry out consumption adjustments where theft is confirmed in CMS, which is currently not in code
  - o Change will be required to the TRAS programming manual to make volumes, dates (and potentially other information mandatory) if it is not already
- The group reviewed in detail the alignment of TRAS and CMS theft reporting data items, with a view to understanding whether TRAS data can be used to automatically populate CMS, where theft is confirmed
- The group discussed whether suspected theft should ever be entered into CMS or whether suspected theft should be reported to Suppliers via an existing channel such as TRAS or the Energy theft Tip Off Service (ETTOS) and only entered into CMS when theft is confirmed
- An update was received that the SPAA Theft Issues Group has agreed to the addition of a new tamper code to the TRAS programming manual, to provide a specific code for fiscal theft
- The group considered further how the discrepancies between theft data reported in TRAS and CMS could be eliminated or reduced, including who should be responsible for calculating assessed losses, the feasibility of adding cubic meter volume and calorific value data to the TRAS outcome files and the retrospective update of systems with confirmed theft information that has been omitted
- The group discussed how volume conversions for theft losses are carried out and why CMS is set up to receive theft volumes in cubic meters when TRAS required kWh, and took away actions to understand whether a standard calorific value should be applied to conversions to ensure consistency in the processes applied
- At Meeting 07, the group will discuss its final solution recommendations and the requirements necessary to enact these

Meeting 07 (30 August 2019):

- At the penultimate meeting of the JTRR, the group reviewed its issues log in full and discussed the draft final recommendations
- The group has agreed that a recommendation will be made for SPAA, UNC and DSC parties to work together to create a process whereby confirmed theft information provided by Suppliers to TRAS is automatically output at a regular frequency to Xoserve's Contact Management System (CMS) and used to automatically update central systems for the purposes of Settlement
- The group agreed that gas Shippers should be given an opportunity to review and object to any data that may be output from TRAS before it is confirmed and entered into CMS as final – the group then went on to discuss the circumstances in which Shippers could object to confirmed theft information provided by Suppliers, noting that, other than material error of fact, there appear to be very few grounds for objection (as it is the Supplier that is obligated in licence to investigate theft and calculate assessed loss volumes)
- Attendees also discussed in depth whether suspected theft should ever be entered into CMS, and whether there was a better method for Shippers and Transporters to report suspected theft to Suppliers – the group considered whether ETTOS or TRAS could be used for this purpose however Transporters advised they believed CMS was the only workable method for Transporters to report suspected theft for investigation by the Supplier – as such, the group considered that suspected theft may still need to be input into CMS by Transporters and Shippers and, as a result, discussed whether any such records should be raised and closed once it is confirmed by the Shipper that the report has been passed on to the Supplier for investigation
- The group agreed that obligations should be placed in the UNC to require Shippers to notify Suppliers of suspected theft and that commensurate obligation should be placed on Suppliers in SPAA to require Suppliers to report all confirmed theft to the Shipper, for input into Settlement (and that this should be achieved via the automated output of data from TRAS)

- The group considered that, if suspected theft is to continue to be entered into CMS, then a regular comparison report will be required to ensure all suspected theft that is entered into CMS is also present in TRAS
- To enable the automated output of confirmed theft data form TRAS, changes to TRAS will be required to ensure the minimum data required for Settlement is provided – i.e. MPRN, assessed loss figure and start/end dates

Meeting 08 (27 September 2019):

- At the final meeting of the JTRR, the group conducted a detailed review of its final improvement recommendations and agreed amendments to better clarify the intent of the recommendations
- The group also agreed several additional recommendations to ensure unison between the cross code recommendations for SPAA and UNC and to recommend that SPAA, UNC and DSC Parties cooperate in the development and implementation of the recommendations
- At a high level, the JTRR has recommended that confirmed theft data that is input by Suppliers into TRAS be used to automatically update Settlement systems (current CMS operated by Xoserve) thereby; ensuring theft investigation outcomes reach Settlement; reducing the number of reporting channels for Suppliers and Shippers; and, eliminating the potential for discrepancies between theft outcomes reported by Suppliers and Shippers
- To enact the improvement recommendations, the JTRR has also provided recommendations on the changes that may be required to both TRAS and CMS, to enable the automated flow of confirmed theft data
- A further recommendation relates to changes in the way suspected theft is reported by Shippers to Suppliers and how this is tracked, with obligations being codified and a procedure established to ensure Shippers provide suspected theft reports to Suppliers and that Supplier provide a unique identifier (the 'Supplier Investigation ID') on receipt of the report
- The JTRR has also recommended that SPAA and UNC parties respectively consider whether performance assurance is required, in respect of both TRAS and CMS performance for Suppliers and Shippers
- The group finalised its improvement recommendations and discussed how/and by whom they would be taken forward
- The group determined that, in addition to development at SPAA theft groups, UNC working groups and DSC committees, a 'phase 2' JTRR working group may be required to ensure SPAA, UNC and DSC Parties are able to jointly develop the processes required to enact the recommendations and any SPAA Change Proposals (SCPs), UNC Modifications and DSC Change Proposals, as may be required
- In total, the JTRR have made 33 improvement recommendations and now recommend that the relevant groups move forward with development and implementation, subject to industry governance and change control procedures
- The Chair wishes to thank attendees and industry representatives for their contributions as part of the JTRR in identifying and discussing the issues surrounding theft reporting – and would like to note that if implemented, the recommendation of this group would improve the use of confirmed theft information in Settlement (and therefore be of benefit to UIG calculations), eliminate the discrepancies and performance issues associated with theft reporting between Suppliers and Shippers and reduce the number of reporting channels and administrative burden for all parties.

Summary of Issues

The JTRR identified 28 issues during the course of its review. The group gathered both quantitative and qualitative evidence in support of the existence of the issues identified, with industry parties providing

information on their experiences of undertaking theft of gas reporting. An issues log was created (see Attachment 2) in order to document the evidence gathered, the review undertaken and the final recommendations of the group. The group prioritised each issue for discussion and identified where further information was required. A significant number of actions were taken by ElectraLink, Xoserve and meeting attendees to provide information on the operation of theft reporting processes, including the reporting of theft investigation outcomes by Suppliers to TRAS and the reporting of theft consumption data by Shippers to CMS for Settlement purposes.

At a high-level, there was a degree of overlap between the issues experienced by Suppliers, Shippers and Transporters in relation to theft reporting. A common theme for Suppliers and Transporters was that multiple reporting channels exist, and the uses of data were sometimes unclear. In response, parties explored whether existing reporting channels continued to be valid and proportionate, according to the group's review principles as noted above, and whether the number of reporting channels could be reduced, or the data taken from a single centralised source such as TRAS. Another common theme related to there being no current obligations in code or licence for Suppliers and Shippers to report theft information to one and other, and the apparent existence of discrepancies between information reported by Suppliers via TRAS and Shippers via CMS. Six of the issues identified related to Shipper theft reporting performance within CMS and the group discussed at length the responsibilities of parties, with respect to the flow of gas theft information from Suppliers to Shippers to central systems.

Many of the issues identified 'overlapped' in terms of the supporting evidence and solutions that could potentially eliminate or reduce them. An overview of the issues identified are provided below and grouped together according to the industry party and/or code to which the issue relates.

SUPPLIER/SHIPPER ISSUES

JTRR 011 - Shippers do not have an obligation to ensure theft information received from the Supplier is reported into CMS/Settlement. Similarly, Shippers do not have an obligation to ensure Suppliers are informed of theft referral contacts received via CMS.

JTRR 001 - Data reported via SPAA may not be well-aligned with the data required for Settlement (i.e. there should be alignment between what is reported in SPAA and the end uses of the data in Settlement).

JTRR 003 - There are discrepancies between theft data reported by Suppliers via SPAA (Sched 33/TRAS) and theft data reported by Shippers in Settlement (through CMS).

JTRR 009 - There is no current requirement for Suppliers to report theft to their Shipper. Issue is potentially more complex where organisation is not both Shipper and Supplier.

SHIPPER ISSUES

JTRR 012 - 20 out of 43 Shippers have never raised ToG contact in CMS, is this valid?

JTRR 013 - 8 Shippers contribute to 85% of all ToG contacts in CMS, therefore 15 Shippers are reporting 15% of all contacts.

JTRR 014 - Some Shippers close 100% of ToG referrals as invalid, which seems unlikely as the average is 50%.

JTRR 015 - Auto-closure: 30% of all Shipper ToG referrals auto-close, is this valid?

JTRR 016 - Auto-closure: 11% of Shipper theft referrals auto-close with no investigation conclusion (e.g. valid/invalid).

JTRR 017 - Auto-closure: Illegal connection reported by engineer but referral auto-closes with same Confirmation and Asset in UK Link.

UNC ISSUES

JTRR 010 - There may be perverse incentives on Shippers not to report theft accurately in central systems (e.g.to avoid fair cost allocation in Settlement).

JTRR 026 - It is unclear how theft data and unrecorded energy is used in Settlement and how it affects Annual Quantities.

JTRR 018 - Reasonable Endeavours Scheme: is this working correctly and appropriately incentivising the correct behaviour.

SUPPLIER ISSUES

JTRR 024 - There are multiple reporting channels for Suppliers and duplication in the data items reported under SPAA Schedule 33, TRAS, social obligation reporting (under licence).

JTRR 023 - Are the processes between Suppliers and their agents (e.g. MAMs, MAPs, Meter Reader) clear enough to ensure suspected theft is reported and recorded.

SPAA ISSUES

JTRR 004 - The uses of data reported under SPAA Schedule 33 are not clear.

JTRR 019 - Many parties do not comply with the reporting requirements of SPAA Schedule 33.

JTRR 028 - Fiscal theft from ETMs: there is currently no tamper code in the TRAS outcome file that relates to fiscal theft, which causes this theft type to be assigned to a different code and leads to figures for other types of theft being inflated as well as difficulty in identify the true levels of fiscal theft.

JTRR 021 - TRAS: GTDIS identified theft lower than target (4000 identified, 6000 target) - is scheme working effectively?

JTRR 020 - TRAS: 29 Suppliers are not complying with the TRAS obligation to provide monthly residential and I&C outcome files to Experian.

JTRR 022 - TRAS: Suppliers have no direct obligation to investigate TRAS outliers, does this affect reporting?

TRANSPORTER ISSUES

JTRR 025 - There are multiple reporting channels for Transporters - Sched 33, Mod 0399, Regulatory Reporting - are they all required, valid, objective, etc.

ALL PARTIES

JTRR 002 - Fragmented nature of reporting means process may not be easily understood by all parties. Parties may not be clear on what responsibilities they hold with regard to theft reporting and there is a general lack of awareness.

JTRR 005 - There may be differing interpretations of how to calculate certain values (e.g. energy volume).

REGULATORY OVERSIGHT

JTRR 008 - Authority only receives notification of Supplier theft information.

JTRR 006 - Are the theft reporting requirements in licence still fit for purpose?

JTRR 007 - It is unclear whether there is sufficient oversight of reporting processes and whether performance assurance is required.

Summary of Findings

The JTRR gathered and reviewed much information to assist the development of options to address the findings of its review, with over 70 formal actions placed with members of the group. Each of the issues identified was reviewed and potential solution recommendations discussed, with the JTRR providing its view on how the recommendations could be achieved. Given the similar themes raised by parties, many of the proposed solutions of the group would eliminate or reduce several issues simultaneously. The below summary provides an overview of the group's findings in relation to the common themes identified.

DISCREPANCY BETWEEN TRAS AND CMS DATA

A significant issue identified was in relation to the discrepancy between TRAS and CMS data. The JTRR were provided with evidence that a large number of confirmed theft reports that appear within TRAS do not appear within CMS. This is of concern as it means theft consumption data generated by Suppliers is not being provided within central systems and therefore not allocated for Settlement purposes. The JTRR discussed that this issue may be a product of there being no current obligations in licence or code for Suppliers to report confirmed theft data to their Shipper and for the Shipper to input this data into CMS. The group were advised that when confirmed theft data is entered into CMS this triggers the correct allocation of consumption and results in the recalculation of invoicing. The JTRR considered that as it is Suppliers who are required by licence to investigate theft and provide consumption data, and that as Suppliers are already providing this data to TRAS, it would be logical to explore greater utilisation of TRAS data.

The group spent considerable time reviewing the data available within TRAS and compared this to the data items required to confirm theft within CMS for Settlement purposes. It was identified that the required data items are ostensibly already available within TRAS could be used to automatically populate CMS, where theft is confirmed by the Supplier – thereby eliminating the potential for discrepancies; ensuring theft consumption data enters Settlement; reducing the administrative burden associated with 'manual' input in CMS; and, reducing the number of reporting channels for both Suppliers and Shippers. The group considered that this could be achieved through placing obligations within SPAA and the UNC for Suppliers and Shippers to report theft information to one and other and requiring that Suppliers instruct the TRAS Service Provider to produce a monthly 'confirmed theft output report' that would be used by Xoserve to automatically create and close a theft record within CMS. As Shippers are the parties responsible for entering consumption data into CMS, it would be appropriate for there to be an opportunity to review any data prior to it entering CMS and therefore Settlement.

MULTIPLE REPORTING CHANNELS FOR SUPPLIERS AND TRANSPORTERS

A further common issue relating to all parties was that of the existence of multiple theft reporting channels. Suppliers are required to report theft annually under SPAA Schedule 33, monthly via TRAS, at regular intervals to their Shipper[1]. Shippers are required to report theft information received from Suppliers into CMS and vice versa. Transporters are required to report theft information annually under SPAA Schedule 33, monthly

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[1] According to commercial agreements (i.e. uncodified arrangements). Suppliers are also required under licence to report certain 'social obligations' data relating to theft disconnections annually to Ofgem.

under UNC Modification 0399 and annually to Ofgem as part of regulatory reporting packs. The group noted that a degree of duplication existed between the data reported by parties through the various channels identified and throughout several meetings reviewed the validity and relevance of each reporting channel.

As described above, the JTRR recommend that TRAS data is used to automatically populate CMS, where theft is confirmed by the Supplier. If implemented, this would immediate reduce the reporting channels and associated administrative burdens for Suppliers and Shippers by removing the need for the Supplier to report theft information to their Shipper and for the Shipper to report his into CMS.

With regard to the annual reporting requirement on Suppliers, Transporters and IGTs under SPAA Schedule 33, the JTRR found there appeared to be no current users of the information within this report. The data reported under Schedule 33 is sent to Ofgem annually and the group discussed whether this reporting requirement should be removed, noting that Suppliers and Transporters are required to provide information to Ofgem in any case following a reasonable request. Following discussion with Ofgem and confirmation of the obsolescence of the report, the JTTR recommend that this reporting requirement is removed. SPAA Change Proposal

SHIPPER THEFT PERFORMANCE WITHIN CMS

A key finding of the JTRR related to Shipper performance within CMS in relation to the raising and updating of theft records. Many theft records raised in CMS are either never updated and are allowed to 'auto-close' after 80 business days or are simply closed as 'invalid' with no outcome being provided. This indicated that Shippers may not be actioning theft records in CMS as required and this may lead to confirmed theft information not entering Settlement or suspected theft information not being provided to the Supplier for investigation. Key statistics, provided by Xoserve, include:

- 20 of 43 Shippers have never raised or updated a theft record in CMS
- Eight Shippers account for 85% of all theft records in CMS, with the remaining 15 accounting for just 15% of records
- Many Shippers close 100% of theft records as invalid – Xoserve advise that the average is c.50%
- 30% of all theft records in CMS 'auto-close' after 80 business days with no final outcome provided
- 11% of theft records in CMS auto-close with no investigation conclusion provided (i.e. valid/invalid)
- 17% of confirmed theft records in CMS do not appear in TRAS

USE OF TRAS DATA

As described above, the JTRR recommends that TRAS data is used to automatically populate CMS, where theft is confirmed. In order to achieve this automation and enhanced use of TRAS data it will be necessary for SPAA Parties to instruct the TRAS Service Provider to provide a confirmed theft output report to Xoserve, containing the data items required within CMS for Settlement purposes. These data items include MPRN, assessed loss figure, start/end date. To ensure the data output from TRAS is of adequate quality, data validation should be put in place to ensure that, where a Supplier confirms theft in TRAS, the data items required for Settlement are provided.

FISCAL THEFT

A further potentially significant issue identified by the group related the reporting of fiscal theft[2] where the meter has continued to record the volume of gas correctly and the assessed loss for Settlement purposes is therefore zero. The issues lie in the fact that zero assessed loss is a common occurrence in the TRAS records; it occurs across both pre-payment and credit meters, and across all different TRAS meter tamper codes, and

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hence cannot be used as a reliable indicator of fiscal theft. Entering a zero assessed loss appears to have become a method of getting an entry accepted in TRAS without having to estimate the loss – perhaps with the intention of calculating the loss properly later and updating it, or perhaps to avoid the need to calculate it at all. But in order for zero assessed loss to be a reliable indicator of fiscal theft, the entry of a zero needs to be limited to genuine fiscal thefts only, and this is very much not the case.

The following statistics illustrate the problems with this method. All are for confirmed thefts only, as recorded in the TRAS outcome files:

- Of all recorded valve tampers on pre-payment meters, 36.5% have a zero assessed loss (1382 out of 3788), using the 'zero assessed loss' method therefore suggests that all of these occurrences are fiscal thefts
- 31.8% of records (881 of 2773) for other types of tamper on pre-payment meters also have a zero assessed loss, however the type of tamper indicated cannot result in the meter reading still being correct and hence a zero loss is not valid for any of them. This shows that the zero assessed loss is being over-reported for pre-payment meters and cannot be used as a reliable indication that the theft in question is fiscal
- 20.0% of credit meter thefts have a zero assessed loss (280 out of 1397), however there are very few theft methods that result in a credit meter reading remaining correct and a zero assessed loss is therefore not a categorical indicator of this type of theft. The data gathered illustrates that the incorrect recording of zero loss occurs in high numbers for credit meters as well as pre-payment meters

The combination of issues means that any method that attempts to use zero assessed loss to indicate fiscal theft is extremely inaccurate. The solution to this is to have a dedicated fiscal theft tamper code so that instances of this type of theft can be explicitly identified.

Available evidence shows that non-zero assessed losses are currently being erroneously entered into Settlement for large numbers of fiscal thefts. Up to September 2018, there are 2769 records in TRAS relating to valve tampers on pre-payment meters for which full information has been entered (i.e. MPRN, start date, end date and assessed loss). Most of these will be fiscal thefts, although the exact number is unknown due to the lack of a dedicated fiscal theft tamper code at the moment. Of these 2769 records, only 22 have an assessed loss of zero. The remaining 2747 records have non-zero assessed losses. 1658 of these have equivalent records in CMS, which means that they feed into Settlement. Fiscal theft has no effect on meter readings and hence requires no adjustment in Settlement, and this introduces error into the Settlement process. The total effect of this error is estimated at approximately 31 GWh over a 2.5 year period.

DATA SHARING

The JTRR considered that cooperation between SPAA, UNC and DSC Parties will be an essential element of ensuring the group's recommendations can be implemented and that future theft reporting operates well for all industry parties. As such, a key factor that underpins the improvement recommendations of this group is a requirement that all parties work together to consider any enabling permissions required between service providers, code administrators and industry parties.

THEFT REPORTING OBLIGATIONS IN LICNECE

At Meeting 01, held 01 March 2019, the JTRR reviewed information relating to theft reporting requirements contained in licence and an overview is provided below:

Supplier Theft Licence Conditions

Suppliers may be required to report theft information under Standard Licence Conditions (SLC) 5, 12A and 17 of the Gas Supply Licence:

- Gas Supply Licence SLC 5 (Provision of Information to Authority and data retention)
  - SLC 5 requires that Suppliers provide information following request from the Authority for information that it may reasonably require or that it considers may be necessary to enable it to perform any functions given or transferred to it by or under any legislation.

- Gas Supply Licence SLC 12 (Matters relating to Theft of Gas)
  - SLC 12A requires that Suppliers prevent, detect and investigate Theft of Gas and are party to, comply with, and maintain arrangements to give effect to this objective.
  - Suppliers discharge the obligation to provide for such arrangements under Schedule 33 (Theft Code of Practice), Schedule 34 (Theft Risk Assessment Arrangements) and Schedule 37 (Energy Theft Tip-Off Service) of this Agreement.
  - Suppliers are required to report theft information on a monthly basis under obligations contained within Schedule 34 of this Agreement for the purposes of the Theft Risk Assessment Service (TRAS).

- Gas Supply Licence SLC 17 (Mandatory exchange of information)
  - Following a reasonable request from a Large Transporter, Suppliers are required to provide information to the Transporter for the purpose of preventing and detecting Theft of Gas.
  - In practice, Suppliers should ensure arrangements are in place with the relevant Shipper to ensure all confirmed thefts are reported into the Contact Management System (CMS), operated by Xoserve.

Shipper Theft Licence Conditions

- Gas Shipper Licence SLC 9 (Provision of Information Requested by Relevant Transporter or Relating to Gas Illegally Taken)
  - Paragraph 1(b) requires a Shipper to provide information in it's possession, or readily available to it, which is reasonably requested by a Transporter for the purpose of preventing or detecting theft.

- Gas Shipper Licence SLC 17 (Supply and Return of, and Information etc. Relating to, Gas Meters)
  - Paragraph 4(e) requires the Shipper, at the request of a Supplier or Transporter, to transmit data, provided by the Supplier, to the Transporter.

Transporter Theft Licence Conditions

- Gas Transporter Licence SLC 7 (Provision of Information Relating to Gas Illegally Taken)
  - Paragraph 1(a) requires that Transporters to investigate known or suspected theft of gas taken 'in course of conveyance'
  - Paragraph 1(b) requires that Transporters use 'reasonable endeavours' to recover the value of the gas
  - Remaining paragraphs deal with recovery of costs and investigation requirements

The JTRR discussed that the primary duty to investigate theft (other than theft in conveyance) sits with the Supplier in licence. Gas Supply Licence SLC 12 requires that Suppliers are party to and make arrangements to discharge their obligations to prevent, detect and investigate theft of gas. This licence obligation is primarily discharged via Supplier participation in TRAS. In practice, there are very few obligations in licence that rest with Shippers or Transporters in relation to theft reporting for the purposes of accurate Settlement. The JTRR therefore found it is Suppliers who are responsible for calculating 'assessed loss' figures that are required by TRAS and which should then be used in Settlement systems by the Shipper. Shipper attendees

at the JTRR highlighted that whilst Gas Shipper Licence SLC 9 requires Shippers to provide theft information that is 'readily available' to it, this data would and should, in practice, come from the Supplier in the majority of instances. This led the JTRR to consider that TRAS should be considered the 'central repository' for industry theft information, given that it is Suppliers who hold the majority of obligations to investigate and given that Shippers are essentially a conduit for that information being used in Settlement.

The group noted, in its review of licence conditions relating to theft, that several sections of licence that reference other licence conditions appear to be out of date, with the referenced sections either no longer existing or having moved. The JTRR discussed that this was likely to be a product of the incremental evolution of theft licence conditions over time and considered there may be a need for an in-depth review. The JTRR considered that as licence usually operates at a higher level than code and sets principles and obligations rather than detailed procedural rules, it would be appropriate for the group to move forward immediately with recommendations in code to improve theft reporting between parties. The group considered that whilst certain references within existing theft licence conditions may require review, this did not prevent or otherwise obscure the requirements or make the conditions in any way inoperable. The JTRR has therefore focussed on recommendations that would codify theft reporting requirements between Suppliers and Shippers and therefore immediately begin to improve the day-to-day operation of theft reporting between parties.

Improvement Recommendations

This section provides a summary of the JTRR's final recommendations, which the JTRR requests that the relevant SPAA, UNC and DSC working group now take forward. The JTRR recommends significant changes are made to the way theft reporting operates between Suppliers, Shippers and central systems. Changes will also be made to reduce the number of reporting channels for Suppliers, Shippers, Transporters and IGTs through direct communication between TRAS and CMS and the removal of the annual theft reporting requirement in SPAA Schedule 33.

The recommendations relate to multiple industry agreements and parties will need to cooperate in the development and implementation of improvements. The following summary is grouped according to the industry codes under which changes will be required.

SPAA RECCOMENDATIONS

1. The SPAA Schedule 33 theft reporting requirement for Suppliers, Transporters and IGTs should be removed as no users of the report have been identified and the report appears to be obsolete

2. Obligations should be placed on Suppliers in SPAA to ensure confirmed theft information is provided to the relevant Shipper, to be entered into Settlement

3. Confirmed theft data that is entered into TRAS by Suppliers should be used to automatically populate 'Settlement systems' (currently CMS) operated by the Central Data Service Provider (CDSP)

4. This should be achieved through the automated input of TRAS data into Settlement systems, whereby Suppliers develop a process to enable a monthly confirmed theft output file to be sent from the TRAS Service Provider to Xoserve, and confirmed theft information is automatically added to Settlement systems (and therefore Settlement)

5. TRAS data should be sufficiently well-aligned to the data required in Settlement systems for Settlement purposes to enable the automatic update of Settlement systems, where theft is confirmed via TRAS

6. Where required, changes should be made to TRAS to ensure that the MPRN, assessed loss figure, start/end date and Supplier Investigation ID information is provided, where the Supplier confirms theft – and that this should be achieved through new rejection criteria being added to the TRAS outcome file

7. A fiscal theft tamper code should be added to the TRAS outcome file to enable better identification of this type of theft

8. Obligations should be placed on Suppliers in SPAA to ensure the investigation status code of a suspected or alleged theft that is reported via the Shipper, is entered into TRAS and that the Supplier should provide the Shipper with the unique Supplier Investigation ID on receipt of the alleged theft report, to enable the Shipper to close the alleged theft record in CMS

9. Consideration should be given by SPAA theft groups to how Supplier compliance with TRAS could be improved and whether full performance assurance is required, as this will be an important if TRAS data is to be used to automatically populate Settlement systems

10. Consideration should be given by SPAA theft groups to enhanced obligations for Suppliers to investigate TRAS Qualified Outliers and other suspected theft leads

11. Consideration should be given by SPAA theft groups to whether historic confirmed theft information in Settlement systems, that does not appear in TRAS, should be retrospectively added to TRAS

12. SPAA Parties should support UNC/DSC Parties in reviewing the UNC Reasonable Endeavour scheme and whether changes are required to enable Suppliers to better access the scheme, taking into account the wider theft strategy review and operation of the Gas Theft Detection Incentive Scheme (GTDIS)

13. SPAA Parties should support UNC/DSC Parties in making any corrections to Annual Quantities (AQs) as may be required following the confirmation of theft from data output by TRAS

14. SPAA Parties should support UNC/DSC Parties in determining the process for communicating suspected theft, and shall provide the Supplier Investigation ID to the Shipper on receipt of a suspected theft

15. SPAA Parties should support UNC/DSC Parties in developing any performance assurance as may be deemed necessary

16. SPAA Parties should cooperate with UNC/DSC Parties in reviewing whether and how historic confirmed theft information in TRAS that does not appear in Settlement systems, can be retrospectively added to TRAS and, should SPAA Parties elect to do this, UNC/DSC Parties should assist in the resolution of any queries that may arise from Suppliers

17. SPAA Parties should work with UNC/DSC Parties to determine what process is undertaken to carry out the conversion of kWh to m^3 to facilitate the input of TRAS confirmed theft data into Settlement systems, with industry parties being consulted prior to implementation

UNC//IGTUNC/DSC RECOMMENDATIONS

18. Transporters have proposed to make amendments to the Transportation Principal Document (TPD) Section V (UNC Mod 0399 theft reporting) in light of the removal of the SPAA Schedule 33 reporting requirements and to better align UNC reporting with regulatory reporting packs

19. IGTs have proposed that amendments are made to the IGTUNC to require that IGTs submit theft data to Ofgem on request, in light of the removal of the SPAA Schedule 33 reporting requirements

20. Obligations should be placed on Shippers in the UNC to ensure confirmed theft information, reported by Suppliers, is entered into Settlement systems for Settlement purposes, and that AQ corrections are carried out as may be required

21. The JTRR recommends that only confirmed theft investigation outcomes are entered into Settlement systems (see recommendation 29 also)

22. UNC/DSC parties shall cooperate with Suppliers in reviewing how AQ corrections are carried out and make a recommendation for improvement as may be necessary, including a consideration of whether performance assurance is required in relation to the update of AQs following confirmed theft

23. Any new obligations on Shippers to ensure confirmed theft information reported by Suppliers is entered into Settlement systems for Settlement purposes should be achieved through changes to Settlement systems to enable the automated input of TRAS data into Settlement systems, where theft is confirmed by the Supplier in TRAS

24. Shippers should be provided with an opportunity to review any confirmed theft data that is output from TRAS prior to final Settlement and Shippers should work with Suppliers to develop prescribed grounds and timescales upon which objections and/or queries may be raised and resolved

25. Changes should be made to Settlement systems to reduce the mandatory data items required to confirm theft in Settlement systems to the minimum required (i.e. MPRN, assessed loss figure, start date, end date and Supplier Investigation ID) to assist the automatic input of confirmed theft information from TRAS to Settlement systems

26. To enable the automated input of theft volume information from TRAS into Settlement systems, the JTRR recommends that a standard conversion is applied and the point at which the conversion from kWh to m^3 is carried out is fixed – this could be achieved through instructing the TRAS Service Provider to undertake the conversion prior to transmitting the TRAS confirmed theft output file, or through a conversion by Xoserve following receipt of the confirmed theft output file from TRAS

27. UNC/DSC Parties should work with SPAA Parties to determine what process is undertaken to carry out the conversion of kWh to m^3 to facilitate the input of TRAS confirmed theft data into Settlement systems, with industry parties being consulted prior to implementation

28. Obligations should be placed on Shippers in the UNC to require that suspected or alleged theft information is provided to the relevant Supplier, and Suppliers and Shippers should work together to determine the process and timescales by which this is undertaken - AGREE

29. Changes should be made to Settlement systems to improve the way in which suspected theft records are treated, where these are raised by either the Shipper or Transporter, with the records no longer remaining 'open' until an outcome is provided or 'auto-closing' where no outcome is provided but instead closing once the Shipper confirms the information has been passed to the Supplier by providing the Supplier Investigation ID once it is returned by the Supplier

30. Consideration should be given by UNC Parties as to whether there is a need to provide assurance of Shipper performance with respect to any obligations to provide suspected theft information to Suppliers, potentially via the UNC Performance Assurance Committee and/or via a periodic

comparison of TRAS and Settlement systems data, with the support of the TRAS Service Provider ad SPAA Parties

31. UNC/DSC Parties should cooperate with SPAA Parties in reviewing whether and how historic confirmed theft information in Settlement systems that does not appear in TRAS can be retrospectively added to TRAS and, should SPAA Parties elect to do this, UNC/DSC Parties should assist in the resolution of any queries that may arise from Suppliers

32. UNC/DSC Parties should consider whether historic confirmed theft information in TRAS that does not appear in Settlement systems should be retrospectively added to Settlement systems and, should UNC/DSC Parties elect to do this, SPAA Parties should assist in the resolution of any queries that may arise from Shippers

33. UNC/DSC Parties should review the UNC Reasonable Endeavours scheme in conjunction with SPAA Parties and consider whether this is operating appropriately and whether changes are required to enable Suppliers to better access the scheme

Whilst the improvement recommendations listed above have be grouped according to the code to which they relate, many of the recommendations will require cooperation and joint working between SPAA, UNC and DSC Parties. To assist the assessment of areas that parties will need to develop jointly, the information above is replicated in a table within Attachment 3 where an indication of the parties who will need to cooperate and the group that will need to develop the recommendations is provided.

Detailed Overview of Issues

Please refer to the JTRR Issues Log (see Attachment 2) for information on the detailed evidence and considerations of the JTRR in relation to each issue. A significant level of analysis and discussion was undertaken by the group and the JTRR Issues Log, in combination with the minutes of each meeting and the information provided by parties in response to formal actions, provides great deal of insight and depth on theft of gas reporting processes.

Conclusion

The table below details each of the Working Group objectives, as stipulated in the group's ToR, and demonstrates how each objective has been met:

No.:	Objective	Conclusion
1.	Review theft reporting arrangements for Suppliers, Shippers and Transporters;	The JTRR theft reporting arrangements between Suppliers, Shippers and Transporters in detail, with the group identifying 28 issues and making 33 improvement recommendations for SPAA, UNC, IGTUNC and DSC Parties (see Summary of Findings and Improvement Recommendations above).
2.	Consider concerns that the levels of theft in UIG calculations may be incorrect;	The JTTR received information from ElectraLink, Xoserve and the AUGE, indicating a significant discrepancy between confirmed theft information reported by Suppliers via TRAS and Shipper via Settlement systems (current CMS operated by the CDSP). It was identified that 30% of confirmed theft records in TRAS do not appear in CMS, and therefore do not appear in Settlement. The AUGE advised that this impacts UIG as it affects the view of the amount of unidentified gas that can be attributed

		to theft. The group also identified that fiscal theft from prepayment meters (where the meter continues to register correctly but payment is not made) may not be adequately accounted for in confirmed theft data at present, which may cause volume data to enter Settlement when it should not. The group has recommended that TRAS data is used to automatically update CMS, where theft is confirmed by the Supplier, to eliminate/reduce the likelihood that conformed theft data does not enter Settlement. The group has also recommended that a new fiscal theft 'tamper code' is added to the TRAS programming manual to enable better identification of this type of theft (for further information see Summary of Findings and Improvement Recommendations above).
3.	Consider how to eradicate discrepancies between Supplier and Shipper theft reporting;	The group has recommended significant changes the to the operation of theft reporting between Suppliers and Shippers – most notably, the development of a process whereby confirmed theft data submitted by Suppliers to TRAS is used to automatically update CMS for Settlement purposes. Shippers will be provided with an opportunity to review any data output by TRAS to CMS before it is finalised in Settlement. This recommendation would serve to immediately eliminate the discrepancy between Supplier and Shipper reported theft information and would ensure the efforts of Suppliers in investigating theft are realised in Settlement, whilst also reducing the number of separate reporting channels and administrative burden for Suppliers and Shippers alike. The group has made 33 recommendations in total, following detailed review of the processes and systems that underpin theft reporting, providing detailed views on how improvements can be made (for further information see Summary of Findings and Improvement Recommendations above).
4.	Consider whether current theft reporting arrangements can be simplified;	As noted above, the JTRR has made 33 recommendations to improve and simplify theft reporting arrangements. In particular, the JTRR's recommendation that TRAS data is used to automatically populate CMS would serve to reduce the number of reporting channels for Suppliers and Shippers by removing the need for the Supplier to report confirmed theft to both TRAS and their Shipper and for the Shipper to manually input confirmed theft data received from the Supplier into CMS. The automation of reporting between TRAS and CMS would mean Suppliers only report confirmed theft data to TRAS and would remove the need for Shippers to enter this manually into CMS. The JTRR has also recommended the removal of the annual SPAA Schedule 33 reporting requirement for both Suppliers and Transporters, thereby further reducing and simplifying reporting requirements.
5.	Consider the uses and value of current theft reporting;	The JTRR consider in depth the value and uses of current theft reporting and found that, at a high level, theft reporting is an essential element of both Supplier licence compliance and compliance with SPAA and TRAS, and Shipper obligations to ensure accurate Settlement under the UNC. The group agreed that the efforts of Suppliers in detecting and investigating theft, as well as in calculating energy volumes lost, should be better realised in Settlement, by ensuring all confirmed theft volume information

		is entered into Settlement systems. The group therefore considered that theft reporting is an essential and valuable undertaking.
6.	Develop any SPAA or UNC changes, as may be deemed necessary, to improve the reporting arrangements;	See Improvement Recommendations above. Significant changes to the operation of theft reporting are recommended, with one change having already been progressed to the relevant decision body: SCP 480 - Amendments to Schedule 33 Theft Reporting Requirements. Further potential changes will be required to the SPAA, UNC, IGTUNC and DSC to implement the recommendations of this group and the JTRR has made a recommendation that a 'phase two' joint working group be undertaken to develop the recommendations that impact multiple codes and contracts, to ensure all impacted parties are able to develop the requisite process and procedures together.
7.	Produce a Working Group report with a clear recommendation, and;	The group has produced and reviewed a significant amount of material during the course of its review and several attachments are provided with this closure report. The group has made 33 recommendations in total.
8.	Agree any implementation approach and timescales.	The group has agreed that its recommendations should be progressed without delay and recommends that, in addition to the inception of discussions at existing SPAA, UNC and DSC committees and working groups such as the Theft Issues Group, Distribution Working Group and Change Manager Committee, a phase two joint working group should undertake to develop the detailed processes and change proposals necessary to implement the group's recommendations.

Attachments

Attachment 01 - SPAA Terms of Reference v1.0

Attachment 02 – JTRR Issues Log v1.0

Attachment 03 - Summary of Improvement Recommendations v1.0

Attachment 04 – Overview of Existing Theft Reporting

Attachment 05 – Overview of Proposed Theft Reporting

Attachment 06 – Comparison of TRAS and CMS Data Items

Attachment 07 – AUGE Analysis of Standardised Conversion Calculation

Recommendations

The SPAA EC is invited to:

   NOTE the contents of this report;

AGREE the recommendations of the JTRR; and

AGREE to conclude the JTRR Working Group and instigate a phase two joint working group.

Fraser Mathieson