Theft of Gas and Electricity: A Suppliers View

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Background

- Detection evolved from historical market position i.e. in gas = British Gas, in electricity = Ex-PES, now a mixture;

- Industry is dealing with around 2-3000 cases per year in gas and 70-80k cases in electricity;

- Ofgem have suggested it could be up to £100m in gas and £3-400m in electricity;

- Since we entered the electricity market – our experience is that more customers steal electricity than gas but gas has greater consequences.

Why do we do it now?

- Licence Obligation;

    - Slightly different in gas and electricity but generally to detect, prevent and provide data to DNO/GT;

- Lack of visibility could drive customer behaviour - prevention;

- Reduce costs to other customers;

- Safety Factors.

Why the need for a review

- Theft detection model set up in pre-competitive market and now needs updating;

- Detection rates showed a dip following competition;

- No tangible evidence that risk has increased but over time could be an issue.

How does the current process work?

- Supplier receives a lead – from DC/MRA/tip off;

- Supplier/RPU investigate at suppliers cost;

- Theft is proven;

- RPU estimates energy stolen;

- Theft notified to GT or DC;

- Transportation Charges and Commodity Charges paid.

Financial Issues

- Suppliers pick up a smear of 'lost' energy as part of normal industry billing process;

- Issues around effects on RbD not reflected in individual suppliers detection rates;

- Suppliers incur costs trading, investigating and pursuing cases;

- Suppliers often unable to recover costs through 'reasonable expenses' from customer;

- Transco £250 cap does not reflect actual costs incurred;

Issues for Suppliers

- Fully offsetting theft against settlement;

- Dual Fuel Market needs integrated solutions;

- Significant administration – difficulty versus benefit;

- The current cost recovery mechanism does not secure the right incentives;

- Money recovered versus costs incurred.

Improvements needed

- Need to increase detection rates to keep industry costs down and to deter further cases;

- Need to make it more palatable for suppliers, not just a licence obligation;

- Need to sort out industry anomalies to make detection and reconciliation as easy as possible.

The Options

1. Maintain current process;

   - No tangible issues yet;

   - Considered inefficient at detecting theft;

2. Enhance/Enforce Industry Licence Requirements;

   - Increasing regulation;

   - Ignores other industry based solutions;

   - Forces improvement but rigid;

   - Monitoring and policing required;

3. Create market based incentives e.g. resolve transportation charges, cover admin costs;

   - Focuses on incentives to detect;

   - Industry is responsible for its own performance

   - Market based solution consistent with a competitive market

   - Flexible and will adjust to market conditions.