

ScottishPower

gas and electricity

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Dear Andrew

Theft of electricity and gas – Discussion Document

Thank you for giving ScottishPower Energy Retail the opportunity to comment on the above discussion document.

The exact level of theft covering both fuels is very difficult to substantiate, however the figures quoted within the discussion paper does give cause for concern. We do believe that there have been some contributing factors that have resulted in the extent of theft across both Electricity and Gas becoming indistinct. Due to expanding competition within the areas of Gas Transportation, Distribution, Supply and Metering Services the role of individuals within the theft process has become undefined with companies taking different approaches. A further contributing factor was the change in Licence obligations as a result of the Utilities Act with the responsibility for the prevention and detection of electricity theft moving from the DNO to the Supplier. That said we believe that the framework for the detection and subsequent investigation of theft is currently available but we do believe that the responsibilities of parties involved and the related Codes of Practice setting out the terms of investigation require being re-determined. In addition, the correct incentives require to be put in place in order that no party involved is disadvantaged by their role in the proactive detection and investigation of theft. ScottishPower Energy Retail look forward to working with the Industry and Ofgem in order to improve the current operation

Ofgem have detailed a number of areas to be considered by Parties responding to this document. Where we believe appropriate, we have detailed our comments below.

Whether the responsibilities and incentives on electricity suppliers and DNOs are correct or should be amended.

SPERL believe that DNOs and Suppliers should share obligations on the prevention and detection of theft. The Licence Condition on the provision of a Revenue Protection Service should be placed firmly with the Distribution Businesses. They, in their role as Network Operator are primarily responsible for the safety of the network and have incentives through the Price Control to reduce the level of losses across the network. We believe that the basic funding of the service should be on an MPAN level with additional services being procured on a transactional basis by Suppliers as required.

Currently there is no incentive on Suppliers to proactively investigate instances of theft. In the

majority of cases they can face extremely high costs when theft has been reported. These costs include the replacement of metering equipment, unbilled units, use of system charges and the knowledge that they may never be able to recover these costs from the consumer. A number of things can be done to ensure that Suppliers activity participate in the detection of theft. In order to assist with this, Suppliers and their metering Agents should work with the RP Services and report all suspicions of theft for investigation. In order to encourage active reporting, incentives premiums could be paid based on the number of potential theft leads passed and subsequently proven. Each RPU Service would be responsible for collating details of all leads passed and the success rates for actual detection. Indeed, these figures could be published and used to benchmark Supplier performance. This would incentivise these Parties to proactively report potential theft cases with the knowledge that their efforts would be recognised

With regard to the provision of data through Settlements to account for theft, Suppliers should be obliged to enter an assessed consumption level rather than a meter reading. This is based on the fact that if a meter reading is derived from assessed consumption and subsequently entered into the read history as an actual reading, then the next time the physical meter on site is read the reading could be rejected as invalid.

In addition, DNOs should introduce a Reasonable Endeavours Scheme similar to that operated currently by Transco/NGT. This scheme would allow Suppliers to claim costs relating to the investigation of theft and debt recovery including the cost of the replacement of metering equipment, disconnection and subsequent restoration of supply, where a customer repayment arrangement has been broken and court costs associated with any court prosecution action taken. Appropriate levels of remuneration should be set in accordance with the nature of each activity.

With regard to prevention, from the evidence submitted at the Theft Seminar prosecution of proven theft through the criminal courts is low. The decision to prosecute is left in the hands of the Police who will decide if there is sufficient evidence to secure a conviction. Suppliers can undertake a civil action against the responsible party, however this can prove costly with no guarantees that the action will be successful. We believe that this position requires to be altered with more cases being taken forward through the Courts. The judicial system requires recognising the full implications of theft not only as a criminal act but also as a serious risk to public safety. To achieve more convictions a coordinated approach is required by all parties involved, with the appropriate evidence being collected and stored until such times as required for presentation within the Courts. More detail is given below on what measures could be put in place to allow this to be achieved. All parties feel the affects of theft ultimately with the honest consumer paying the price through increased energy costs. There is no greater deterrent than the knowledge that prosecution by the Courts will punish wilful acts of theft

Should there be a requirement on GTs and/or DNOs to provide RP Services for use by Suppliers or whether a supplier should have this responsibility.

As mentioned above we believe that both GT's and DNOs should have an obligation to provide RP Services. With gas all suspicion of theft is reported to the Emergency Service Centre who will if a risk to safety exists, instructs a Transco Service Engineer to attend and make safe. At the same time, the Supplier should receive notification that a TSE has been despatched and they then have the opportunity to instruct their own operative to attend. However, the timely notification to the Supplier does not always occur even if a resource was available to attend with the TSE. When the TSE attends, if theft is detected, the meter may be exchanged and taken away for forensic testing, statements taken and photographs of the apparatus send to the Supplier as evidence that interference has occurred. Suppliers would then undertake their own investigation into the theft. However, evidence is not always collected and retained securely at the initial visit. This can make it extremely difficult to then gather the required evidence at a later date due to evidence being destroyed, access to the premise being denied or the person responsible for the theft not being identified. SPERL have been required to procure, through a third party RP services in order to ensure UK coverage for the investigation of theft. However,

the same difficulties exist in proving who is responsible for the act of interference when evidence is not collected and retained when theft is initially detected.

There would be a benefit therefore for GTs to be obliged to offer an RP service similar to DNOs with additional services being offered to Suppliers if requested. For IGTs, this could form part of the service package procured by them through the Transco/NGT Emergency Service Provision

Comments on the effectiveness of the Transco reasonable endeavours and allowances scheme in place and the role of IGTs in providing a mechanism for suppliers to recoup costs from failed attempts to recover charges from customers.

Transco have reported that use of the Reasonable Endeavours Scheme by Suppliers is low. We believe that this is the case due to Suppliers not being fully unaware of exactly when and what they are able to make a claim for, the information that requires to be sourced and thereafter secured and the process for audit that will be subsequently undertaken by Transco in order to substantiate a claim. Transco has done work in order to make the claims procedure simpler however, confusion still exists on what allowances or combination of allowances can be claimed. ScottishPower believe that a set of Guidelines requires to be developed with examples of what allowances are available for standard cases of theft. More complex theft cases can be dealt with on an individual basis with due direction from Transco. In terms of the allowances that are currently available, we believe that these require to be revised in line with costs that are realistically faced by Suppliers. This exercise could be done in conjunction with determining the allowances that would be available under a similar scheme if introduced in electricity.

With regard to IGTs, as stated above, all GTs should be obliged to offer a basic RP Service with additional services being offered to Suppliers if requested on a realistic price basis. This could form part of the service package procured by them through the Transco/NGT Emergency Service Provision.

If you wish to discuss any of the points raised in this response, please contact me on the above telephone number.

Kind regards

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