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Our ref
576-21/04/04

Your ref
85/04

Date
15 June 2004

Dear Andrew

Theft of electricity and gas – Discussion Document – April 2004

This response is from Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc. Our comments on the electricity sector where views are requested are as follows:

7.5 Comments are invited on whether the responsibilities and incentives on electricity suppliers and DNOs are correct or should be amended. If respondents consider that the responsibilities and incentives should be amended then views are requested on what changes should be made.

Given the 'supplier hub' arrangement of the industry, we believe that the current responsibilities are correct. Suppliers appoint both meter operators and data collectors who are the most likely people to detect theft on a customers premises. They also have access to individual consumption patterns of energy which is the other main information source for detecting theft. The existing arrangements place few, if any, incentives on suppliers.

Whilst there appears to be some financial incentive on distributors to reduce theft levels, these are only realised if the lost units are entered into settlements and where the meter tampering is not repeated.

Given that the theft is from suppliers, the only logical position is for suppliers to continue with the responsibility.

7.18 Comments are requested as to whether respondents consider that there should be a requirement on GTs and/or DNOs to provide RP Services for use by suppliers on their networks or whether this should be a supplier responsibility. In particular, it would be useful to understand any differences between the gas and electricity markets and in how the provision of RP



Services on IGTs, IDNOs and DNOs operating outside of their distribution services areas should be treated.

We do not believe that there should be a requirement on distributors to provide RP services. Revenue protection activities are closely aligned with meter operation activities and the separation of metering from distribution price control makes it less likely that there will be common ownership of distribution and metering businesses.

7.23 Comments are requested here on whether there is value in having a RP Code of Practice in the electricity market and, if so, whether and how it should be reviewed and updated. Views are also requested on whether it is sufficient or appropriate to maintain compliance with the Code through the DUoS Agreements or whether, for example, compliance should be voluntary or mandated by licence.

If suppliers continue to be responsible for detecting and preventing theft, we see little value in an RP Code of Practice as they should be free to either undertake directly or procure services that they can demonstrate effectively fulfill this obligation.

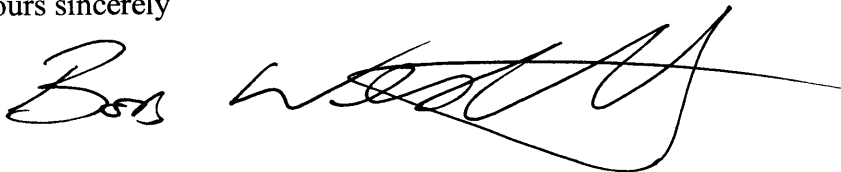
Under a regulated approach, such as requiring distributors to provide such a service, then any requirements should fall under the commercial governance arrangements currently being formulated.

7.36 Ofgem believes that an appropriate and effective regime for the detection and prevention of theft should not require regulatory action as a matter of course to ensure its success. However, action may be required where it can be demonstrated that a particular party has not met its regulatory obligations. Comments are requested here on this approach, in particular, whether respondents consider that the current arrangements are sustainable or would require ongoing compliance enforcement by Ofgem to ensure that parties meet their obligations.

Given the lack of incentives on suppliers to comply with their responsibilities, it is likely that ongoing compliance enforcement will be required under the existing arrangements.

I trust that our response is helpful. Please do not hesitate to contact me if you require any further information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R G Westlake', written over a horizontal line.

R G WESTLAKE
Regulatory & Government Affairs Manager