

Our Ref: NEDL/NT/MRD

Your Ref:

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Dear Andrew

## **OFGEM NEXT STEPS DOCUMENT - THEFT OF ELECTRICITY AND GAS**

Thank you for the opportunity to comment on the above. CE Electric UK Funding Company (CE) is the UK parent company of Northern Electric Distribution Limited (NEDL) and Yorkshire Electricity Distribution plc (YEDL). This letter therefore represents the views of CE, NEDL and YEDL on Ofgem's Next Steps document.

### **Responsibilities and incentives**

We are pleased that Ofgem have taken into account our response to responsibilities and incentives posed on suppliers and Distribution Network Operators, and realise that disincentives should be removed and incentives enforced on suppliers in order that they detect, investigate and prevent energy.

Suppliers currently identifying and reporting theft face DUoS charges from the relevant DNOs, thus acting as a disincentive. However, individual suppliers not being proactive in identifying and reporting stolen units does not seem a major issue to suppliers, as these units are reported as DNO distribution losses and smeared across all customers, hence not changing the overall position of the individual supplier. This is where both the DNO and honest customer are affected.

We agree that an incentive scheme should be implemented in order that suppliers proactively identifying stolen units and subsequently putting these stolen units into settlements should be incentivised. The funding of this scheme should lie with suppliers.

The obligation on getting these stolen units into settlements pre-14 months should be made mandatory for suppliers, as well as appropriate procedures and processes in place to ensure units entering into settlements post-14 months are also catered for.

### **Role of DNO's**

We are pleased on Ofgem's view in considering that there is no requirement for DNO's to provide a Revenue Protection Service for use by suppliers, due to the movement of business activities away from metering services. Suppliers should be free to have the service of revenue protection provided by whomsoever they wish, be it through the DNO or metering route.

### **Revenue Protection Code of Practice**

We are concerned that the Revenue Protection Code of Practice will still not be deemed a mandatory document. Therefore the relevant change control protocols should still be required in order to ensure consistency.

## **Compliance**

If incentives were correctly applied by Suppliers and DNO's, then regulatory safeguards and enforcement would not be required by Ofgem. However, as seen by the data requests within the next steps document, there should be some form of high level monitoring to ensure that compliance is being met as well as highlighting potential weaknesses. This form of monitoring will provide confidence that parties within the industry are meeting their obligations, as well as safeguarding the possible safety and cost implications for customers.

## **Way Forward**

We are pleased with the in depth work currently being carried out by the industry to tackle the area of energy theft. It is therefore our hope that the recommendations made to Ofgem during Spring/Summer 2005 will encourage Ofgem to make a decision that will be beneficial for all parties concerned.

I hope that you will find these comments helpful. If you would like to discuss any of them further, please do not hesitate to contact me.

Yours sincerely

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