

Inveralmond House  
200 Dunkeld Road  
Perth  
PH1 3AQ

Andrew Wallace  
Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE

Telephone: 01738 456400  
Facsimile: 01738 456415

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Dear Andrew,

## **Theft of Electricity and Gas – Next Steps**

We are disappointed that Ofgem believe that further work with regard to theft is required. As noted in our response to the April 2004 discussion document, we believe that the current arrangements to detect, prevent and investigate theft of electricity are sufficient.

We note Ofgem's statement that they are committed to working with industry to develop cost effective and proportionate arrangements for the detection, prevention and investigation of theft of gas and electricity. We firmly believe that the existing licence conditions on suppliers and DNOs/GTs, along with revenue protection services, provide sufficient incentive to detect, prevent and investigate theft. We consider these incentives proportionate for even the worst case level of theft estimated in the consultation document. We do not believe that there is anything in the discussion paper that justifies further work in this area.

Chapter 9 of the consultation document, on the way forward, summarises Ofgem's views in five key areas. Our views are provided below each of Ofgem's:

- Suppliers should be obliged to make reasonable endeavours to detect, investigate and prevent theft arising from meter interference and restoration of supply without consent where they are responsible for that metering point;

*As noted in our June 2004 response, we believe that existing licence conditions clearly set out the obligations on the supplier.*

- DNOs and GTs should be obliged to make reasonable endeavours to detect, investigate and prevent theft in conveyance to a customer premise or where there is no supplier responsible under contract, deemed or otherwise with a supplier at that metering point;

*Again, we believe that the existing licence conditions clearly set out the obligations on the DNO / GT.*

- A scheme should be implemented to improve the incentives on suppliers, DNOs and GTs from meeting their obligations. The principles behind the Reasonable Endeavours Scheme appear to be sound basis for these arrangements;

*As noted in our June 2004 response, we would welcome clarification of the exact criteria that need to be met for a claim to be successful under the reasonable endeavours scheme. Other than this, we do not believe that further incentives are required in either the gas or electricity markets.*

- Supplier, DNO and GT regulatory obligations should be supported by industry developed codes of practice;

*We believe that the current codes of practice, in both markets, are adequate and do not need to be amended at this time. We are strongly against the development of any governance arrangements that increase bureaucracy in this area.*

- DNOs and GTs should not be required, under the standard conditions of their licence conditions, to provide RPS for use by suppliers on their networks.

*Noted.*

Finally, we are concerned that Ofgem are considering, as a separate project, the appropriateness of the current methodology for measuring the volume of electricity distributed and Line Loss Factors during 2005. Once again, we have seen no evidence that there is a requirement for such a review. We would ask that Ofgem provide a clear justification for undertaking such work before expending time and effort on it.

Yours sincerely,

Rob McDonald  
**Director of Regulation**