



SP Transmission & Distribution

Mr A Wallace
Ofgem
9 Millbank
London
SW1P 3GE

Your ref

Our ref

Date

28 February 2005

Contact/Extension

Walter Hood
01698 413491

Dear Andrew

Theft of Electricity and Gas

SP Transmission and Distribution welcome the further opportunity to comment on Ofgem's latest paper on the Theft of Electricity and Gas. We have restricted our comments to the electricity industry only, although it is recognised that there may be similarities between the two industries.

We continue to believe that the responsibility for the prevention and detection of theft should be one that is shared by all parties within the industry. We welcome the work currently being carried out by the joint ERA/ENA working groups and look forward to receiving the output of these groups in due course.

With regard to the consultation paper we believe that the revised four guiding principles providing the basis of future revenue protection services are broadly sound. As stated in our response to the initial consultation paper it is our belief that both Supplier and DNO should have placed against them an obligation to prevent, investigate and detect theft of both gas and electricity, with any proposed obligation reflecting the different nature of each business. However such an obligation should not be part of any licence condition but should be included within a robust code of practice supported by a review panel consisting of all interested parties to control and monitor the code. At present a code of practice is currently applied through the Distribution Use of System Agreement, and any new strengthened code should continue to be applied in this way. This is because all suppliers must sign onto this agreement to operate in a network operator's area and therefore would be obliged to comply with the requirements of the code.

As regards the proposed theft obligations being considered, it is difficult to see the benefits that substation monitoring could bring. A DNO only receives metering data via the supercustomer process - i.e. not from individual customers, and the interaction between a DNO and a number of suppliers would make any monitoring very complex.

Members of the ScottishPower group

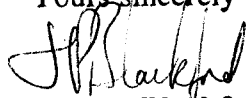
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Also, contrary to Ofgem's view, it is our view that a DNO should continue to provide a revenue protection service for use by suppliers who wish to do so, although this requirement should not be a licence obligation.

Finally, throughout the consultation paper Ofgem make reference to the ENA/ERA working groups, and while their contribution is vital, it would be helpful if their deliberations, minutes of meetings could be placed on the Ofgem website in order that the industry may be kept fully informed of the ongoing debate. Indeed until such time as these work groups deliver their conclusions to the industry for comment, it is very difficult to comment further, however it may also be helpful if at this stage if an interim report on their progress could be made available for information.

I hope this is helpful, but please contact Walter Hood or myself if you would like to discuss further.

Yours sincerely



Jeremy Blackford

Regulation Manager, SP Transmission & Distribution