

Andrew Wallace
Ofgem
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Dear Andrew

THEFT OF ELECTRICITY AND GAS – NEXT STEPS

National Grid Transco (NGT) supports Ofgem's conclusion that more work is required to develop an effective set of arrangements for dealing with theft of gas and electricity. We are actively participating in both the 'Obligations and Incentives' and 'Operational Interfaces' workgroups, and are confident that this collaborative approach is the most appropriate way of developing detailed arrangements.

Obligations

As discussed in our response to the earlier Discussion Document, NGT believes that theft of gas is an important issue and we have proactively worked with the industry to raise awareness of the obligations on Licensees to investigate suspected cases of theft. We acknowledge the usefulness of commercial instruments in removing any financial disincentive on suppliers to investigate theft, however we concur with Ofgem's view that, given the potential safety and cost implications for customers, clear and enforceable licence obligations are also required.

Our own obligations, under Standard Condition 7, require us to investigate suspected theft in conveyance and restoration of supply where there is no supplier responsible for that metering point. We have concerns around extending this condition to include detection and prevention of theft and look forward to discussing the potential implications with Ofgem and the ENA workgroups.

We believe it is unlikely that the costs associated with a scheme to visit shipperless sites would be justified by the higher detection rates that may be achieved. Accordingly the financial implications of any extension to our obligations would need to be considered in the context of an economic service and recovery of additional costs by GTs.

Incentives

With regards to incentives in the gas market, we maintain that the Reasonable Endeavours Scheme (RES) provides an appropriate framework for incentivising suppliers to investigate theft. We are disappointed that the improved scheme, implemented in September 2003, is not deemed effective by suppliers, particularly as the review sought to address specific concerns around

complexity. We believe that one way forward is to continue to develop the details of the RES with the ENA workgroups to ensure that the requirements of the gas and electricity industries can be met.

If you have any queries or comments please do not hesitate to contact me or Kayte O'Neill on 01926 655873.

Yours sincerely

By email.

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