



Gas Suppliers

*Promoting choice and value for
all gas and electricity customers*

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Dear Colleagues

Investigating suspected gas theft

Theft of gas by customers has serious safety implications and leads to industry costs which may be passed through to customers.

It is imperative that robust arrangements are in place to detect and investigate suspected theft of gas. We consider that measures must also be in place to prevent continued theft when it is identified and to stop customers seeking to take an illegal gas supply¹.

We are working with the industry to develop improved arrangements for tackling theft². We welcome the efforts of industry parties in bringing forward new and innovative solutions and the commitment that has been shown to developing these proposals³. However, we are aware that implementation of at least one of the current proposals is not proposed to take effect until 2012.

We are writing to you to request your commitment to address robustly suspected theft cases that are notified to you within an appropriate timescale. In addition, we would welcome efforts to increase the amount of gas theft detected whilst discussions are ongoing in this area.

Reports provided to Ofgem and to the industry by xoserve⁴ raise concerns about the response of some shippers and suppliers to the notification of suspected theft cases. In particular,

- a significant proportion of suspected theft cases notified to shippers and suppliers by xoserve are not responded to within 80-days, and

¹ Gas supply standard licence condition 17 requires suppliers to provide information to the gas transporter for the purpose of preventing and detecting theft of gas when the gas transporter makes a reasonable request. Under this condition, suppliers are also required to inform the gas transporter when they become aware of an actual or suspected gas theft. Gas supply standard licence condition 12 requires suppliers to take reasonable steps to ensure that they inspect every two years any gas meter and associated installation. This inspection must include an inspection of the gas meter and associated installation for evidence of tampering and evidence that the meter has not been continuously in position for the purpose of registering the quantity of gas supplied.

² These proposals include a National Revenue Protection Service (see www.gasforum.co.uk/nrps-workgroup for further details) and a Supplier Energy Theft Scheme (further details can be found at www.gasgovernance.co.uk/0277).

³ To facilitate the decision on which (if any) of the proposed solutions should be implemented, in both the gas and electricity industry, we intend to publish an impact assessment in Q1 2011.

⁴ Xoserve is the agent of the large gas transporters and manages the flow of theft information between shippers and transporters.

- where a response is received by xoserve, the proportion of cases where theft is identified also varies significantly between shippers and suppliers.

Xoserve data indicates that in 2009, of the 5,410 suspected theft of gas cases reported to them, no response was received from a shipper or supplier within the 80-day time period in 1,315 cases (23.9%). In the period January to September 2010, of the 4,321 suspected theft of gas cases identified, 644 cases (15.2%) were not responded to within the 80-day time period. In addition, there is a significant difference in response rates between suppliers and shippers which ranges from less than 5% to 75%⁵.

It is not clear what exact circumstances are leading to the low response rate, for example, whether it is a communications failure between suppliers/shippers and xoserve. However, we are concerned that some shippers and suppliers are not seeking to address all suspected theft cases within an appropriate time period (i.e. 80 days).

There is also a significant variation between shippers and suppliers in the proportion of suspected theft cases where shippers and suppliers report to xoserve that theft has or has not been identified. Excluding those cases where the shipper simply did not confirm whether or not a theft had been identified, the proportion of cases where a shipper reported a confirmed theft, ranged from approximately 50% of all suspected cases to none of the suspected cases. Whilst we do not have evidence to support a view that some suppliers are not investigating robustly all suspected theft cases notified to them, the differences in data reported to xoserve by shippers and suppliers clearly gives us a concern that this is the case.

As set out above, we are now requesting your commitment to investigate robustly suspected theft cases notified to you by xoserve in a timely manner. We will continue to receive detailed monthly reports from xoserve on supplier performance to allow us to identify whether the expected improvements are being made. We would expect to see material improvements by the end of this year.

Our strong preference is to continue to work with the industry to develop enduring arrangements. Our intention is that such arrangements not only ensure that suspected theft is investigated in a robust and timely manner but that greater efforts are made to identify theft of gas in the first place. However, if we do not see improvements in tackling suspected theft of gas across the industry in this interim period, before revised arrangements are in place, we will give further consideration to introducing licence obligations that would require suppliers to do so.

Please contact Andrew Wallace (tel: 020 7901 7067, email: andrew.wallace@ofgem.gov.uk) if you would like to discuss any of the issues raised in this letter.

Yours sincerely

Emma Kelso
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⁵ This analysis has considered those shippers with large supply point portfolios. We excluded shippers with relatively small portfolios from this analysis as the performance figures are likely to be more heavily influenced by individual or low numbers of theft cases.

