



Alistair Phillips-Davies  
Director  
Energy Retail Association  
1 Hobhouse Court  
Suffolk Street  
London SW1Y 4HH

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

Your Ref:  
Our Ref:  
Direct Dial: 020 7901 7240  
Email: [andrew.wright@ofgem.gov.uk](mailto:andrew.wright@ofgem.gov.uk)

Date: 25 January 2011

Dear Alistair

### **Electricity top-up PPM fraud**

This is a serious issue that has affected over 115,000 customers to date and cost tens of millions of pounds. Whilst we remain concerned that industry processes were not sufficiently robust to detect this fraud and prevent it from taking place in a timely way, we note the swift and significant action that suppliers are taking to address this issue.

Electricity suppliers are required to take all reasonable steps to detect and prevent the illegal abstraction of electricity and interference with meters. This is an important issue that suppliers must take seriously as an industry, not only in the current arrangements but also as the market develops with smart metering.

We have reviewed your report<sup>1</sup> to us on the cause and prevalence of this fraudulent activity and have met with your colleagues on several occasions to monitor progress in tackling the issue.

You have now provided us, on behalf of each of your member companies, with their commitments as to how they intend to continue to tackle the PPM fraud issue. We are writing to you now to accept those commitments and to request that, in addition to our regular meetings on this issue, the ERA provides Ofgem with a report on the progress of its member companies against their commitments at six months from the date of this letter.

The commitments provided, and that we are requesting you to report to us on, are as follows:

- To take reasonable steps, via a variety of methods to ensure that all PPM customers are provided with appropriate information on the PPM fraud issue. This should include as a minimum, how customers can top-up meters safely, that the consequence of accepting an illegal top-up is that they will be asked to pay twice for the energy illegally consumed and who they should contact to discuss the issue if they have concerns. We note the efforts that suppliers have made to reach customers across a range of media and we welcome your commitment to sustain this communications campaign to ensure that this important message continues to reach customers, including new PPM customers, until the issue has been fully resolved.

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<sup>1</sup> In response to our request in September, the ERA has provided us with a confidential report. Given the sensitive nature of this information, we do not intend to publish the contents of that report.

- To treat each customer on an individual basis and respond to his/her specific circumstances.
- To take all reasonable steps to identify and implement a proportionate technical response to prevent the fraud from continuing to take place and from spreading to new customers or areas. Technical solutions will be implemented as quickly and robustly as possible. The ERA will provide Ofgem with its agreed project plan and regular updates against this plan.

In light of the commitments that we have received, and agreement to provide further updates and a six month progress report, we do not propose to take further action to investigate any issues at this time<sup>2</sup>. However, if circumstances change or these commitments are not met, we will consider what actions we should take to protect customers' interests.

Yours sincerely

**Andrew Wright**  
**Senior Partner, Markets**

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<sup>2</sup> We consider that Ofgem would have the ability to investigate a potential breach of SLC 12.1 of the electricity supply licence. We have also considered the potential use of our powers under Part 8 of the Enterprise Act 2002 in relation to any potential breaches of section 13 of The Supply of Goods and Services Act 1982 and The Consumer Protection from Unfair Trading Regulations 2008.