

January 31st, 2011

Mr. Cesar Coelho
Economist
Retail and Market Processes
Ofgem
9 Millbank
London
SW1P 3GE

Dear Mr. Coelho,

Reducing supplier disincentives to detect and investigate gas theft – uniform network code proposal UNC 231V and other changes

Please find First Utility's response to your request for information below.

Chapter: Two

Question 1: What factors have led to the limited number of suppliers using the current compensation arrangements?

We would suggest that it may be the case that some suppliers might consider the current compensation arrangements to constitute a disincentive to proactive theft detection, particularly as these have not been reviewed since 1997.

Chapter: Four

Question 1: Do you agree with that the £1,000 cap per allowance (apart from Allowance (vii)) is reasonable? Please provide supporting arguments.

This seems reasonable and should assist in removing the current perceived disincentive to gas theft detection.

Question 2: Do you have further supporting information on your actual costs associated with each of the activities set out in Table 1? Information on average costs and the range and distribution of costs would be particularly helpful.

Attendance at Premises following a breach of paragraph 10 (1) of Schedule 2B of the Gas Act 1986 including preparation of investigation report and notification to the police: Approximately £125

Attendance at Premises following a breach of paragraph 11 (2) of Schedule 2B of the Gas Act 1986 including preparation of investigation report and notification to the police: Approximately £125

In the cases above, assessment and pursuit of charges for gas taken: Approximately £75

Attendance at premises (including at primary or secondary sub-deduct premises) where a supply has been taken in such circumstances as are mentioned in Standard Condition 7(4)(c) of the licence

including assessment and pursuit of charges and attempted identification of person taking supply:
Approximately £125

Meter exchange costs, including material, labour and sundry costs relating to new meter and its installation: Approximately £200

Forensic costs: Approximately £100

Court fees including issue of summons, service, judgement and execution fees: Variable, possibly up to £1000

Question 3: Views are invited on whether the audit and compliance arrangements for the payment of allowances to suppliers are appropriate. In particular, are they sufficient to meet the implied requirement under SLC 7 of the gas transporters licence to only make payments when the relevant criteria are met?

We believe that the retention of the current audit mechanism and the requirement for suppliers to substantiate their claims, with any extra substantiation and validation required to be funded by the supplier to whom the claim relates, should be sufficient.

Question 4: Do you agree that an equivalent modification should be raised to the IGT UNC?

From a point of view of thoroughness and standardisation of arrangements across the industry, it would seem appropriate that an iGT UNC modification of this nature also be raised.

Question 5: Views are requested on the compatibility of UNC 231V with the proposed NRPS, SETS or any other industry developments.

We believe that UNC 231V will potentially be compatible with both the NRPS scheme proposed in UNC Modification 0274 and the SETS scheme proposed in UNC Modifications 0277 and 0346.

Chapter: Five

Question 1: Views are requested on our proposals to amend SLC 7 and each large gas transporter REAS and RES.

We would agree with the proposal to amend the REAS in order to allow principle and (amended) compensation allowances to be contained within the UNC. This should facilitate further amendment of these allowances in future should this be required. We also feel that the proposed amendment to SLC 7(6) provides a degree of flexibility which should also be of benefit in the future.

Question 2: Views are requested on our proposed timetable to amend SLC 7 and each large gas transporter REAS and RES.

The proposed timetable seems reasonable.

Question 3: Do any of the proposed changes have potential detrimental consequences for the arrangements on IGT networks?

We cannot envisage any at this time.

Chapter: Six

Question 1: Do you agree with our further proposals to improve the drafting of SLC 7?

As these amendments seem largely designed for the purpose of correcting drafting errors and oversights, we are supportive of these.

Please do not hesitate to contact me should you require any further information.

Yours sincerely,

Chris Hill

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Regulation