

29 Charborough Close,
Lytchett Matravers,
Poole,
BH16 6DH

Tel: 01202 625070

www.sohn-associates.com

29th September 2011

Margaret Coaster
Smarter Markets, Ofgem
9 Millbank
London
SW1P 3GE

Dear Ms Coaster

Theft of Gas Consultation

Sohn Associates are following all of the present developments to improve the management of Gas Theft and I trust that I may usefully contribute to this matter and offer below a response to your recent consultation paper.

My almost 40 years' working in the energy industry includes time spent with British Gas as an Industrial Sales Engineer responsible for the installation of non-domestic gas meters giving an insight into the physical conditions of meter installations. From 1992 onwards I worked for an independent gas supplier and became aware of the inability of Transco to keep track of meters as they were installed and removed. I was part of Working Group established by Dave Barnes in 1995 to consider Gas Theft and note that nothing has changed since that date despite many discussions within the industry. Consequently, your latest proposals are welcomed as it should force the issue to be addressed more robustly by the suppliers. However, as explained in the attached letter to GL Noble Denton, there is also a potential for some "Theft" to be missed as the supplier is not responsible for providing the required data, leading to a bias in the allocation of Unidentified Gas away from the Large Supply Point group.

In response to the specific questions raised in your consultation paper, I am pleased to respond as follows:

Chapter 2

Q1: Yes, this appears to be the only way to persuade some suppliers to address the issue;

Q2: Yes, although there is considerable emphasis on protecting vulnerable consumers which may restrict the ability of suppliers to take action;

Q3: The disconnection restrictions should only be in place over the winter months;

Q4: The only alternative to disconnection should be a pre-payment meter and if this is subject to theft the supply should be disconnected;

Q5: Ofgem should encourage the establishment of a Code of Practice but this should not be a licence requirement if it introduces heavy costs on small suppliers;

Q6: Yes, it has been delayed enough already.

Chapter 4

Q7: Yes, it would seem that the main impacts have been addressed but cannot comment on the accuracy of the assessment;

Q8: No comment as we do not have access to industry data;

Q9: We believe that the NRPS scheme should be implemented as this is an opportunity to take this issue out of the existing arrangements and (potentially) combine it with an electricity scheme. The other proposals rely on existing industry structures which have been found to be inadequate in the past;

Q10: We are sure that alternative proposals could be found but in our view, the industry should implement a scheme without delay.

Draft Impact Assessment

IA Q1: It is well known that there are material differences between suppliers' portfolios in the number of reported thefts and this will be at least partly due to the history of the supplier – those with a less rigorous approach to customers or large legacy portfolios will inevitably incur a higher incidence of theft;

IAQ2: I would consider the NRPS to be more diligent in monitoring potential reoffending with an expected rate to reflect the average property tenure of the offending person, e.g. 5 years.

IAQ3: The compliance measures for LSP should be reviewed to fully reflect the potential industry loss and supplier cost. The industry also needs to consider the cost to a supplier of investigating Unidentified Gas caused by errors in industry databases which may currently be classified as theft;

IAQ4: No comment;

IAQ5: Yes, although these targets would need to be reviewed on a regular basis;

IAQ6: The NRPS proposals should be subject to review to ensure that investigations are not impaired;

IAQ7: Subject to adequate safeguards that the supplier has made reasonable attempts to recover its costs, there should be a mechanism for these to be recovered as an incentive to fully investigate theft;

IAQ8: Not if costs are allocated fairly, especially as small suppliers will inevitably be more circumspect about the type of customer they take on;

IAQ9: No comment;

IAQ10: No comment;

IAQ11: No comment;

IAQ13: No comment;

IAQ14: Gas transporters and meter operators have a significant role to play in satisfying the industry need for data on potential theft and arrangements must be found to ensure that they are fully incentivised (or legally obliged) to play their part;

IAQ15: The NRPS will take the initiative in investigations which should provide clarity on those cases where the transporter may be responsible, whereas SETS and Enhanced SETS will use existing structures which rely on the transporters data;

IAQ16: We are unable to comment on the Regulatory arrangements for transporters without further review.

If you need further information please do not hesitate to contact me.

Yours faithfully,

T Smith

Tim Smith C Eng, BSc(Eng), MIE

Director
Sohn Associates Limited

Attachment: Comments on Draft AUGS