

Ofgem – Tackling Gas Theft Consultation

Response by the United Kingdom Revenue Protection Association (UKRPA)

October 2011



1. INTRODUCTION

The UKRPA welcomes Ofgem's consultation and impact assessment with respect to the theft of gas dated 31st August 2011.

The UKRPA recognises that further measures are required to secure a step change in the detection and prevention of energy theft and as an Association it continues to act as a forum to encourage its members to share best practices and knowledge to optimise company theft detection and prevention strategies.

The UKRPA stresses the importance of revenue protection services in both gas and electricity to identify unsafe installations to ensure safety. This is critical in the gas industry for customers living in close proximity to unsafe/tampered installations and the UKRPA therefore questions whether Ofgem has struck the right balance between encouraging companies to take theft action and the protection of customers. For example, retaining the right to disconnect repeat offenders in winter is crucial if the overriding concern is for customer safety. Notwithstanding this important safety principle, the UKRPA accepts there is a balance to be struck and consequently has developed a set of guiding principles for its members to follow (Appendix A).

It is against this backdrop that the UKRPA is uniquely positioned to provide a UK industry wide input to the evolving market arrangements, ensuring that its experience and expertise formed of its members is brought to the forefront of UK industry discussions.

This response is structured as follows:

- (a) Section 2: sets out the role and purpose of the UKRPA;
- (b) Section 3: UKRPA strategy and services; and
- (c) Section 4: comments against each of the Ofgem's Chapter two and four questions (individual UKRPA members will respond against the Impact Assessment questions).

2. THE UKRPA

- 2.1 The UKRPA is a trade association open to parties involved in detecting and dealing with meter tampering and illegal abstraction of electricity and gas, to providers of products and services to those parties. It does not involve itself directly in the commercial activities of its members or in commercial arrangements between members. For these reasons, the UKRPA has limited its comments to policy rather than commercial considerations.
- 2.2 The UKRPA also provides a bi-annual national conference, and promotes development, where practicable, of a common approach to issues of Training, Operating Procedures, Technical Developments and Liaison with Suppliers, police and fire services as well as other utility sectors.
- 2.3 The UKRPA owns the '*Manual of Information and Guidance on Revenue Protection Procedures and Practice*' focused on electricity practices for its members. This supports a Code of Practice for dealing with theft of electricity (Code of Practice, V1.0, February 2006). This work has been used to develop a similar code for gas.
- 2.4 The UKRPA currently has a total of 13 members. Seven specially working in both gas and electricity revenue protection areas across Great Britain and Northern Ireland, and the rest providing more specialist products and services (e.g. metering).
- 2.5 The UKRPA 2011/12 strategy covers a range of activities, centred on six key strategic themes, including the development of best practices with respect to vulnerable customers.

3. UKRPA STRATEGY & SERVICES

- 3.1 The UKRPA meets regularly to discuss its progress against a published and agreed business plan and strategy. It develops common approaches to training and operating procedures, it hosts national conferences (with international speakers), and feeds into other developments such as Smart Metering and other industry initiatives.
- 3.2 The UKRPA also provides a theft reporting helpdesk accessible to the public via its website (www.ukrpa.org.uk). Since 2009, the public reported over 1000 potential theft incidents, some of which cover multiple premises/sites (see Appendix B). Reported cases of theft growing year on year by circa. 90%.
- 3.3 Energy theft is a complex area where detection is often difficult and reliant on the expertise of service providers. The position today is that there is no precise quantification of the level of energy theft, and depending upon how theft is interpreted, figures range from £100m to £400m pa.
- 3.4 The UKRPA believes that the amount of illegal abstraction taking place across both markets is significantly greater than that being reported to its members, and in this respect at least the UKRPA is undertaking a review of its website services that will help improve engagement.
- 3.5 Solutions which optimise market intelligence and drive appropriate company behaviour will help secure the required step change in theft detection rates. Indeed, the UKRPA developed the '*Manual of Information and Guidance on Revenue Protection Procedures and Practice*' focused on electricity practices for its members. This work has been used to help develop a similar manual for gas.
- 3.6 With the advent of Smart Metering, increasingly the gas and electricity markets will converge towards more harmonised processes and practices. It is therefore important that any arrangements developed for tackling gas theft equally embrace harmonisation going forward. The approach needs to be properly governed and managed to ensure that detection practices are properly balanced with appropriate consumer protection measures. In that regard, Ofgem may like to note that the UKRPA has developed a set of principles for members that help afford protection to the more vulnerable members of society (see Appendix A).

4. UKRPA RESPONSE TO OFGEM QUESTIONS ON CHAPTERS TWO AND FOUR

The UKRPA now responds more specifically to each of the questions posed by Ofgem as follows:

Question 1: *Do you agree with our proposals to introduce new gas supply licence obligations in relation to theft?*

Q1. UKRPA Response: The licence obligations which will be required will largely turn on the solution finally adopted by Ofgem, albeit some form of licence change will be required. More generally, measures that harmonise obligations between electricity and gas would seem sensible.

Question 2: *Do you agree that our drafting proposals set out in Appendix 3 meet the policy intent described in this chapter?*

Q2. UKRPA Response: The UKRPA questions whether Ofgem has struck the right balance between encouraging companies to take theft action and the protection of customers. For example, retaining the right to disconnect repeat offenders in winter is crucial if the overriding concern is for customer safety. Notwithstanding this important safety principal, the UKRPA accepts there is a balance to be struck and consequently has developed a set of guiding principles for its members to follow (Appendix A)

Question 3: *Do you consider that our proposal for gas suppliers to make reasonable efforts not to disconnect vulnerable customers should apply throughout the year or be restricted to the winter months?*

Q3. UKRPA Response: Please see our answer to question 2, above. In addition, customer safety must be paramount and it is the revenue protection officers that attend the premises/site that are best placed to make this decision given all the circumstances involved. It is for these reasons that the UKRPA put in place a set of guiding principles for its members covering customer treatment and vulnerability with respect to electricity - regulatory obligations must not place vulnerability above and beyond important safety considerations, especially for gas where there is a greater propensity for harm to neighbouring properties due to explosion.

Question 4: *Do you consider that gas suppliers should be required to offer vulnerable customers and customers that would have genuine difficulty paying, a wide range of methods for the repayment of charges associated with gas theft as an alternative to disconnection?*

Q4. UKRPA Response: the UKRPA recognise that vulnerable customers (and those with genuine difficulty of paying) have particular needs and the UKRPA is sensitive to these needs. However, it is important that any regulatory measures do not unduly affect the ability of companies to set the most appropriate repayment terms according to all the circumstances, i.e. striking a balance between safety, vulnerability, commercial risk etc. The UKRPA principles for customer treatment already embrace appropriately balanced and important protection measures. Its members apply these principles to both electricity and gas activities (through common practices).

Question 5: *Do you consider that Ofgem should include a licence requirement on all suppliers to establish a code of practice on, among other things, theft investigations and the detailed arrangements for compliance with our proposed consumer protection measures?*

Q5. UKRPA Response: Assuming that a step change is agreed, then it would be sensible to develop a harmonised electricity and gas Code of Practice to embrace any new arrangements and obligations.

Question 6: *Do you agree that our proposed new gas supply licence should be introduced as soon as reasonably practical?*

Q6. UKRPA Response: Yes, we consider that given the serious implications of unresolved theft, regulatory reform should proceed as soon as soon as reasonably practicable.

Question 7: *Have we correctly assessed the main impacts in the accompanying IA? Are there additional, material impacts that we should also consider?*

Q7. UKRPA Response: The main impacts seem to be appropriately captured.

Question 8: *Do you agree with the assumptions that we have made and the outcome of our analysis in Appendix 2 of the accompanying IA?*

Q8. UKRPA Response: The UKRPA has not commented on the IA assumptions as these will largely depend upon the appropriateness according to each member company's operations and practices, for example investigation costs will vary.

Question 9: *Which, if any, of the three proposals to increase theft detection should be implemented and why?*

Q9. UKRPA Response: It is for individual UKRPA members to comment on which of the three proposals best secure an increase in theft detection. However, whatever solution is adopted, it will be important to ensure that the changes are well managed and that customers are able to find it relatively simple to report suspected theft incidents.

Question 10: Do you consider that there are any alternative proposals, or variations on existing proposals to improve theft detection that should be considered?

Q10. UKRPA Response: A step change is required and in that regard the three proposals seem to consider a range of options from incentives to centralised and coordinated services.

APPENDIX A - CUSTOMER TREATMENT / PROTECTION OF VULNERABLE CUSTOMERS

The UKRPA has recently produced seven Best Practice Principles when dealing with vulnerable customer situations:

When undertaking the investigation and prosecution, UKRPA members will ensure that:

Principle 1: The De-energisation of vulnerable customer households will be avoided unless there is a direct risk of harm by continuing with the supply.

Principle 2: Notwithstanding **Principle 1**, where supplies are De-energised for vulnerable customer households, the member will ensure that steps are taken to notify relevant bodies (e.g. social services).

Principle 3: Where supplies are de-energised for vulnerable customer households, the member will ensure Re-energisation as soon as the safety considerations can be satisfactorily resolved thus allowing Re-energisation.

Principle 4: When a supply is De-energised and not Re-energised during the same visit, the member will (unless inappropriate to do so) arrange to revisit customers who are considered to be vulnerable to recheck the safety of the installation.

Principle 5: Consideration of the views and opinions of government, regulators, consumer protection bodies (and any other such groups) will be taken into account when developing revenue protection policy and its affect on vulnerable customers.

Principle 6: take into account the ability to pay of any vulnerable customer that has been correctly back billed for unrecovered energy when setting repayment terms.

Principle 7: The prosecution of a vulnerable customer will be avoided unless there is evidence of repeat offence(s) taking place.

APPENDIX B - UKRPA EXISTING CENTRAL SERVICE HELPDESK PROVISION

The NRPS and Enhanced SETs schemes both propose the introduction of a centralised helpdesk to engage with the public, receiving reports of gas theft and associated communications. The central helpdesk will then be responsible for initial aspects of the investigation to some extent, dependant the scheme.

It is worth noting that the UKRPA has maintained a central helpdesk for a number of years, providing both a phone helpdesk for reporting cases of potential theft and a report fraud feature on the UKRPA Website to allow reports to be submitted electronically.

These reports relate to all forms of energy fraud, and as such, a large proportion will relate to electricity fraud.

Year	Report Frauds – submitted via online form	Report Frauds – sent by post/email	Percentage of Reports via online form
2009/10	223	7	97%
2010/11	415	15	97%
2011/12 (to 26 th Oct)	418	9	98%
Total	1056	31	97%