



Margaret Coaster
Smarter Markets
Ofgem
9 Millbank
London
SW1P 3GE

Wales & West House
Spooner Close
Celtic Springs
Coedkernew
Newport NP10 8FZ

Tŷ Wales & West
Spooner Close
Celtic Springs
Coedcernyw
Casnewydd NP10 8FZ

T. 029 2027 8500
F. 0870 1450076
www.wwutilities.co.uk

CC: Andrew Wallace (Ofgem)
CC: Simon Trivella (WWU)

28th October 2011

WWU Consultation response “Tackling Gas Theft 112/11”

Dear Margaret,

Set out below is Wales & West Utilities response to elements of the ‘Tackling gas theft’ consultation. Our response is mainly focused on those areas where there is a direct gas transporter impact although we have provided comments in other areas.

CHAPTER 2 “Enhancing obligations on suppliers: Q1 - Q6

We are generally supportive of the Ofgem proposals to strengthen the obligations on suppliers through changes to the supply licence.

We are also supportive of measures to protect vulnerable customers and those that, although maybe not classified as ‘vulnerable’ are in situations where it would not be appropriate to carry out disconnections. However, the majority of vulnerable customers that are recorded on our Supply Point Register are due to a member of the household being over 60 years of age. Whilst this meets the criteria we believe that each case of Theft of Gas involving a vulnerable customer should be evaluated individually to ensure the most appropriate action is taken.

A Code of Practice would certainly be welcomed and, as a member of SPAA, we will continue to work with the industry in developing the recently established draft Code of Practice. We agree that the Code of Practice is also the right place for detailing the information and process required for when suppliers detect upstream theft and need to pass this to the relevant gas transporter.

24 hour gas escape number
Rhif 24 awr os bydd nwy yn gollwng

0800 111 999*

*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

Wales & West Utilities Limited

Registered Office:

Wales & West House, Spooner Close, Coedkernew, Newport NP10 8FZ

Registered in England and Wales: No. 5046791

CHAPTER 4 “Assessment of industry proposals”: Q7-Q10

We have not made any specific comments on the industry proposals and would refer Ofgem back to our response to the previous consultation on “*Reducing supplier disincentives to detect and investigate gas theft*” and to our responses to the relevant Modification Proposals. As a gas transporter we can offer our commitment that, if any proposals are taken forward, that we will offer the necessary support in establishing the arrangements and transporter interaction.

DRAFT IA CHAPTER FIVE: IAQ10-12

IA Question 10: Do you have any further information on safety incidents where harm has directly resulted from theft of gas?

WWU have no evidence that directly attributes harm to members of the public as a direct result of theft of gas. What is clear is that any attempts to take gas illegally will increase the risk of compromising the safe conveyance of gas and therefore the potential likelihood of harm.

A distinction needs to be drawn between theft and unregistered sites. There are many sites which may not have a shipper or supplier (for good reason, such as the sites are newly constructed), but this is not in itself, a good measure of potential theft of gas.

IA Question 11: Do you consider that any of the proposals are likely to reduce the health and safety of any particular individuals?

We see no reason why any proposal is likely to reduce the health and safety of any individual. Clearly, any proposal needs discounting if it is viewed as capable of such a consequence.

DRAFT IA CHAPTER SEVEN: IAQ13-16

IA Question 14: Do you consider that gas transporters should be required to adhere to a code of practice on the conduct of theft investigations?

WWU see value in transporters adhering to a common code of practice (CoP), providing it is appropriately funded. Such a code will build on best practice across all transporters and provide a common benchmark by which transporters will operate. The visibility of a CoP will also provide confidence to the industry that upstream and downstream theft is given appropriate priority.

We note that Ofgem makes reference to the incorporation of the CoP within the Supply Point Administration Agreement (SPAA) and, as a signatory to it, we will continue to offer our support of its development which is currently under discussion in the SPAA Expert Group. This will most likely extend into 2012 in order to produce a comprehensive CoP

IA Question 15: What impact will either of the industry proposals have on the annual number of investigations of theft in conveyance that gas transporters undertake and the total cost of undertaking these?

Should any proposal lead to a (reasonably anticipated) increase in cases then provided costs are funded (see Q16) it would be appropriate that the transporter conducts such investigations. The suggested CoP may assist in this area by proposing timelines in which it is acceptable for such investigations to be conducted and the nature of the investigation which should be reasonably expected.

The issues around unregistered sites will need to be addressed as, by definition, such a site simply has no registered supplier/shipper and it is not an indication that gas is illegally being taken from the system. We believe that recent industry initiatives have shown that where gas is being offtaken at a unregistered site the end consumer has a supply contract in place. Although the supplier concerned may have no right to the gas being sold and the contract deemed as void it would not seem at all appropriate for the transporter to then take action against the consumer.

Modification Proposal 0369 tackles a similar issue following notification that a meter has been removed and, if Ofgem direct implementation, it is the transporters' intention to raise further proposals in this area. In scenarios where the end consumer has a supply contract we believe the industry arrangements should be adapted to allow the retrospective registration of the site, allowing title of gas to be given to the supplier which would allow for the supplier to be invoiced for gas commodity and transportation charges.

IA Question 16: What, if any, changes to the regulatory arrangements need to be made to enable gas transporters to adhere fully to their requirements to conduct theft investigations?

The current arrangements (Reasonable Endeavours Scheme as required by Licence Condition 7(3)) do not allow transporters to recover the costs of investigations where no theft of gas is identified, this means that transporters may have a disincentive to investigate theft of gas as it is almost inevitable that some investigations will reveal either that no theft occurred or that there is insufficient evidence to proceed further. Similarly transporters need to be able to recover the costs of investigating illegal connections. Transporters require the following elements within their regulatory arrangements so as to adhere fully to theft of gas requirements.

- (i) Recovery of costs reasonably incurred when investigating theft of gas that ultimately is established as being a case of no theft and/or there is insufficient evidence to take further action;
- (ii) Recovery of costs reasonably incurred investigating theft of gas where there is sufficient evidence to take further action.
- (iii) As (i) for investigation of illegal connections; and
- (iv) As (ii) for investigation of illegal connections.



WWUs view is that Transporters should be appropriately funded for such investigations irrespective of the outcome and for all reasonable costs to be recoverable.

Hopefully the answers to the above questions are helpful to Ofgem and we would welcome any further discussions in relation to the role of gas transporters and any necessary regulatory or licence changes that will be required.

If you have any questions relating to this response please contact myself or Simon Trivella.

Yours sincerely,

A handwritten signature in black ink, appearing to read "S Edwards", with a long horizontal flourish extending to the right.

Steve Edwards
Head of Regulation and Commercial
Tel: 029 2027 8836
Email: Steven.J.Edwards@wwutilities.co.uk

Simon Trivella
Commercial Manager, Regulation and Commercial
Tel: 07813 833174
Email: Simon.Trivella@wwutilities.co.uk