

- 1.1 We welcome Ofgem's final policy proposals and believe that the proposals will deliver much needed reform and will strengthen the obligations on gas suppliers to appropriately detect, prevent and investigate gas theft.
- 1.2 We support Ofgem's view that an incentive scheme is required to increase the level of theft detection and welcome the publication of principles for such a scheme.
- 1.3 British Gas, as advocates of reform in this area, will be pleased to actively support the development of industry incentive arrangements. This is an essential piece of the overall gas theft package and we fully support Ofgem's view on the swift development and implementation of an incentive regime as soon as possible and specifically by the end of 2012.
- 1.4 However we are disappointed that there has been no specific direction made by Ofgem under licence, for suppliers to deliver an incentive scheme by a specific date. We will therefore look to Ofgem to ensure that suppliers do not take any unreasonable steps to prevent or delay development and implementation.
- 1.5 We do have a concern over the wording of one of the principles that Ofgem consider should be incorporated within an incentive scheme, specifically *'the incentive pot should be funded by suppliers based on the number of sites that they supply'*. We continue to believe that it would be more appropriate for arrangements to be based upon 'throughout of gas' rather than the number of sites and would like the opportunity to discuss this matter with you further.
- 1.6 The industry data held by xoserve provides evidence that theft is prevalent in the LSP sector and we believe the LSP sector should be accountable for its market share of theft. There is a risk that basing incentives on number of sites will not incentivise LSP suppliers to detect theft. It would not be in the interests of customers if the opportunity to properly incentivise LSP theft

detection was missed. British Gas believes that an incentive scheme should be designed to properly incentivise both LSP and SSP theft detection.

- 1.7 As discussed, British Gas is developing a modification proposal which seeks to bring an incentive scheme into effect, which is in line with the principles articulated by Ofgem within its decision document. Once we have completed drafting, we will make arrangements to meet with Ofgem to review and discuss the proposal and to further discuss the concern we articulated within 1.5.
- 1.8 We acknowledge that the creation of the Theft Risk Assessment Service (TRAS), could be of benefit to the industry if developed appropriately. However we are mindful that the arrangements which are ultimately developed need to be done in such a way that it will positively assist the detection, investigation and prevention of theft by suppliers and not hinder the process through burdensome requirements and inappropriate targeting. We will provide a full response on this point when we respond to the draft direction which is due on 31st May.
- 1.9 British Gas supports the development of TRAS via the governance arrangements of the Supply Point Administration Agreement (SPAA) and will actively engage and support work to deliver appropriate arrangements.
- 1.10 We are continuing to actively participate in the development of the new Gas Theft Code of Practice and agree with Ofgem's view that implementation should be undertaken by the end of 2012.
- 1.11 One specific area which we do have a concern with, is the reference made to the work of the AUGÉ. We continue to have concerns over the accuracy of the initial statement published by the AUGÉ and have particular concerns relating to how they have calculated the amount of unallocated gas attributable to theft. We believe that the AUGÉ has allocated theft incorrectly and that their allocation is not supported by the available industry data. We will provide further detail on our concerns in a separate letter to Ofgem with regard to this issue.

Question 1: Do you agree with our final policy proposals and the related drafting of our licence condition on:

- a) The Objective for tackling theft of gas?
 - b) Requirements to detect, prevent and investigate theft of gas?
 - c) The Theft Arrangement?
 - d) Standards for theft of gas investigations?
 - e) Introducing a new relevant objective for the Supply Point Administration Agreement on tackling gas theft?
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1.12 We agree with the majority of the proposed supply licence conditions, and provide further comment upon each relevant section below.

a) *The Objective for tackling theft of gas?*

1.13 We have no comments on this section.

b) *Requirements to detect, prevent and investigate theft of gas?*

1.14 We support the inclusion of a licence condition which requires suppliers to take all reasonable steps to detect, prevent and investigate theft of gas, as per licence conditions 12B.5 to 12B.7.

1.15 It is essential that all suppliers within the market do indeed, ultimately ensure that they undertake all reasonable steps across both the domestic and non-domestic sectors.

c) *The Theft Arrangement?*

1.16 We agree with the inclusion of a licence condition upon suppliers, 12B.8 to 12B.11, to ensure that the Theft Arrangement is developed and implemented by such a date as directed by the authority.

1.17 This will ensure that suppliers work together to ensure delivery and prevent any steps to frustrate or delay progress. Further we agree that the most

appropriate vehicle to develop and implement the Theft Arrangement is via SPAA.

d) Standards for theft of gas investigations?

1.18 Whilst we agree with the principle and the content of the majority of the licence conditions 12B.12 to 12B.16, we have identified two specific, critical areas that require further clarification to be provided by Ofgem.

1.19 We note that 12.B.12(c) requires that suppliers - when a vulnerable customer is identified in accordance with 12B.12(a) & (b), *'must before seeking to Disconnect the relevant premises, as a minimum offer the Domestic Customer to pay those Charges for the Supply of Gas by using a Prepayment Meter, where it is safe and reasonably practicable in all the circumstances of the case for the Domestic Customer to do so'*.

1.20 We continue to have a specific concern over the treatment of repeat offenders of theft and particularly those which have already had a prepayment meter fitted following a previous theft investigation. Ofgem has stated in paragraph 2.26 of its consultation that *"Our initial view is that it may be reasonable to consider disconnection where the consumer is a repeat offender...."*, but has not reflected this sentiment clearly in its proposed licence condition. Our interpretation of this licence condition therefore, is that the requirement to offer a prepayment meter before seeking to disconnect only applies to customers who do not already have such a meter installed.

1.21 We have serious concerns at Ofgem's drafting within paragraphs 12B.1 (b), 12B.12 (c) and the new proposed SLC 27.8A and SLC 27.11C, which collectively appear to amount to an extension of a supplier's obligation under SLC27.8 (to ascertain and take into account a customer's ability to pay), and therefore potentially an extension of the 6 Key Principles for Ability to Pay, from a purely debt related environment to one of gas theft.

1.22 We continue to feel strongly that the same level of protection should not be afforded to a customer who has committed a criminal offence as to a customer who is in genuine payment difficulty but has not resorted to crime.

1.23 We do not however object in principle to a supplier having regard to a customer's ability to pay, but this must be taken in the context of the different environment that our revenue protection officers are working in and the obligation must therefore be less onerous than that relating to debt. For example where customers have been found to be stealing gas the integrity of those can be said to be open to question. It will be difficult for suppliers to rely on the word of customers without further proof of ability to pay i.e. being in receipt of benefit. This is an area which could be further developed under the Theft Code of Practice.

1.24 This is of critical importance to suppliers in setting their theft prevention and detection regimes. We would therefore appreciate Ofgem's views on our interpretation of the licence condition, to ensure that our future operational practices are fully aligned and in accordance with our licence requirements and would be pleased to discuss this matter with Ofgem further.

1.25 We recommend removing draft licence condition 12B.13, which we do not feel is necessary. Suppliers are already expected to demonstrate that they comply with their Supply Licence Conditions through the provisions of licence condition 5, but it is for a supplier to determine how they demonstrate that compliance. Our view is that this overarching requirement renders this proposed licence condition redundant. Equally we believe creating a specific obligation in relation to the proposed SLC 12B.13 would add confusion to the interpretation of other Supply Licence Conditions, which do not include this specific obligation.

e) *Introducing a new relevant objective for the Supply Point Administration Agreement on tackling gas theft?*

1.26 We agree with the introduction of a new relevant objective within SPAA on tackling gas theft and the proposed wording of the relevant objective.

1.27 As per Ofgem's letter of 27th April we will be responding in full on the proposed introduction of a TRAS service by 31st May 2012, where we will provide a full response to questions 2 to 4 of the consultation..