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The Renewable Energy Company (Ecotricity)
Consultation Response to Tackling Gas Theft: The Way Forward Part II

Dear Harpal Bansal,

Ecotricity is an independent renewable energy generator and supplier. We have been supplying gas for over two years and have over 15,000 gas customer accounts. Ecotricity welcomes the opportunity to respond on Ofgem's consultation on tackling gas theft. As a new independent gas supplier gas theft and the current proposal will have a significant effect on our business. My colleague Holly Tomlinson attended Ofgem's Independent Suppliers' Forum in April, where this issue was raised and we responded to the first half of the consultation at the end of April.

Ecotricity's response is divided into two parts:

- A) Answers to the questions outlined in the consultation; and
- B) Our conclusion.

A) Answers to questions outlined in the consultation paper

Question 2: Do you agree with our proposals to direct the implementation of the Theft Risk Assessment Service?

We support the principal of having one a single industry body responsible for assessing the risk of gas theft and for pooling the data available.

We believe that the proposed role of the Theft Risk Assessment Service (TRAS) is too limited. A greater responsibility for investigating gas theft should lie with this centralised service and suppliers' responsibility should be limited to providing it with the necessary information to enable it to conduct its investigations.

Question 3: Do you agree with our proposed requirements for the Theft Risk Assessment Service and the related drafting of the proposed Direction on:

a) *The services provided by the Theft Risk Assessment Service?*

We agree that the services provided by the TRAS will aid suppliers in their investigations. Information about the risk of gas theft at the premises the relevant supplier supplies, regular reports and assistance in the detection of theft will all aid suppliers in investigating gas theft.

We would like more specification on how the TRAS will assist suppliers in their investigations. We believe that maximum support should be available. As stated above, our position is that the entire role of gas theft detection, prevention and investigation should be performed by the TRAS; however, if this role must be done by suppliers, then we should receive the maximum possible assistance.

b) *The Theft Target?*

We are concerned that the current model for the Theft Target and the way in which it is funded will significantly disadvantage independent suppliers. The target for gas theft detection will be based on market share; however, gas theft is unlikely to be spread proportionately across all suppliers. Households and businesses that engage in gas theft are unlikely to switch supplier and given that independent suppliers do not have a large incumbent base, the vast majority of our customers will have made an active decision to switch to us. Independent suppliers are therefore likely to have a substantially lower proportion of gas thefts relative to their customer size than the Big Six.

Ecotricity takes gas theft seriously and we have a process to deal with any cases that our agents alert us to. Our current theft detection process involves meter inspection by our meter reading agents, meter asset managers, local distribution company and debt collection agents. We ensure that all our meters are inspected every 24 months. Despite this robust process, we have not had a single incident of gas theft in our two and a half years of supplying gas. It would not make sense for us to be set a target for gas theft detection, if no such theft is occurring among our customer base.

As proposed above, we would ideally like to see gas inspections carried out by the TRAS. If Ofgem does opt for the proposed theft target approach, however, we believe that only suppliers with over a minimum number of customer accounts should be required to participate; as is the case with other obligations on suppliers such as the Warm Home Discount, the FITs scheme and the Green Deal. One of the principle rationales for applying a threshold to these social and environmental obligations is that such obligations would otherwise present a barrier to entry into the energy market and an undue burden on small suppliers. We believe that the same applies in relation to the theft target. We propose that suppliers with fewer than 250,000 gas customers should not be required to participate, but should simply need to show that they have a process in place for theft detection.

c) The governance of the Theft Risk Assessment Service?

We support proposals for regular independent audits and incentives for providing good leads. We also support the principle of measures to limit any negative impacts on competition; however, we would like more information on what such measures would be.

d) The appointment and operation arrangements of the Theft Risk Assessment Service?

We are happy for the TRAS to be appointed through a robust tendering process and to be retendered regularly. It is important, however, that the retendering process does not result in substantial disruption to the TRAS' ability to perform its role or create unnecessary administrative burdens on suppliers.

e) The reporting requirements for the Theft Risk Assessment Service?

We agree with Ofgem's proposals: the TRAS should issue regular reports to support suppliers and that these should be detailed and based on concrete research.

Question 4: *Do you agree that we should require the Theft Risk Assessment Service to be implemented by 31 December 2013?*

It is difficult to confirm whether this deadline is feasible without more information about exactly what is required from suppliers; however it does appear to be an ambitious target. In general we are concerned that the entire process for implementing these gas theft proposals is being rushed. Very little detail about the specific duties that the TRAS will perform, and how it will interact with the role of suppliers has been made available.

Conclusion

In general we support moves to tackle gas theft; however, we believe that it will be very difficult to design the incentive scheme in a just and efficient manner. As an independent supplier, the amount that we pay in to the scheme and our target would be based on our market share, which we believe that for this will be substantially higher for than the share of gas thefts among our customer base. We are also concerned that the estimated cost of gas theft investigations will not accurately reflect the cost born by independent suppliers. The scheme will therefore be a loss to us and other independents. For these reasons we believe that independent suppliers with fewer than 250,000 gas accounts should be exempt from participating in any theft target scheme.

We support the proposal to introduce the TRAS and believe that it should go much further. It should perform the role currently ascribed to suppliers by detecting, investigating and preventing theft. Suppliers should simply be obligated to assist the TRAS in this task, not perform it themselves.

Ecotricity welcomes the opportunity to respond and hope you take our comments on board. We also welcome any further contact in response to this letter. Please contact Emma Cook on 01453 769301 or emma.cook@ecotricity.co.uk.

Yours sincerely



pp. Emma Cook
Head of Regulation, Compliance & Projects