



1 Hobhouse Court
Suffolk Street
London
SW1Y 4HH

Harpal Bansal
Smarter Markets
9 Millbank
London
SW1P 3GE

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Dear Harpal

Tackling Gas Theft: the way forward

Energy UK is the new trade association for the gas and electricity sector, representing a wide range of interests and driving forward the debates on the UK's strategy for achieving a low carbon, secure and affordable energy future. It includes small, medium and large companies working in electricity generation, energy networks and gas and electricity supply, as well as a number of businesses that provide equipment and services to the industry.

Energy UK was established in April 2012 following a merger of the Association of Electricity Producers, the Energy Retail Association and the UK Business Council for Sustainable Energy.

Energy UK welcomes the opportunity to respond to the statutory consultation on changes to the standard conditions of the Gas Supply Licence regarding gas theft. Energy UK members, where appropriate, have also responded individually. In this document, Energy UK concentrates on the areas of agreement between our members.

Summary

As noted in our response to last November's consultation, the costs associated with gas theft, including lost revenues, detection and prevention, are ultimately borne by customers. Gas theft also poses serious health and safety risks for those who commit the crime as well as others in close proximity. Furthermore, where gas is stolen, it is often used inefficiently, thus negatively impacting on the wider aim to reduce carbon emissions. For these reasons, Energy UK welcomes the fact that Ofgem is taking action in this area.

However, we do wish to highlight in principle some unintended consequences that may result from the final policy proposals and the related drafting of licence conditions, particularly regarding the standards for theft of gas investigations.

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

Suppliers take their responsibility for vulnerable customers extremely seriously, as illustrated by Energy UK's Safety Net. Disconnection is a last resort; provided a connection is safe, a large number

of steps will be taken to recover outstanding charges before the measure is used. In addition, where reasonable efforts have been made by the supplier and disconnection of a vulnerable customer is the only option left to avoid ongoing theft and related health and safety concerns, suppliers would endeavour to inform the relevant local authority or social services.

We, therefore, welcome Ofgem's intent to work with the industry to define when disconnection is likely to be a reasonable course of action in the proposed new Gas Theft Code of Practice. It is vital that disconnection remains an option where there is an unsafe connection (which would normally be resolved), the crime is repeated (for example bypassing a pre-payment meter (PPM)), or where a customer is not prepared to pay for their energy despite being able to do so. In the case of the second scenario, if there have been previous cases of theft then disconnection would be considered to prevent ongoing theft (and for safety reasons). However, where vulnerability is a factor and the customer resorts to desperate measures to stay on supply, suppliers should offer support that helps the customer avoid repeat offence.

We do, however, remain concerned that as currently drafted the licence conditions may have unintended consequences for suppliers and customers alike. In particular, the requirement for the licensee to take all reasonable steps to identify if a Domestic Customer will have difficulty in paying all or part of the charges owed resulting from Gas Theft (12.B12(c)) may prove extremely difficult, if not impossible, in practice. For example, given that the customer in question will have been using an illegal supply they may be unlikely to fully engage with suppliers, and where they do, suppliers may have good reason to doubt the quality and accuracy of any information provided. Much of this uncertainty currently stems from the lack of clarity regarding the meaning of '*all reasonable steps*'. This places a significant burden on suppliers to meet the obligation. Clarity around how suppliers can determine whether a customer will have difficulty in paying must as a minimum be detailed in the Gas Theft Code of Practice for the reasons above.

Furthermore, it is also worth considering the number of domestic customers involved in gas theft who are likely to at least have some difficulty in repaying what can be significant charges. When this is taken into consideration with licence conditions 12.B12 (c), the new SLCs may result in suppliers, as a default, needing to install a PPM in all cases of theft to ensure they comply with their licence conditions. However, SLC 12B12(c) also provides for a PPM being offered only where it is safe and reasonably practicable to do so. Taken together, this would seem to circumscribe suppliers' ability to recoup charges through other means.

While repayment through a PPM may be the correct option in many instances, this will not always be the case. To ensure repayment and customer safety, suppliers must retain the ability to agree appropriate repayment plans for the customer and case in question. For example, if a customer has been found to be stealing gas bypassing an existing PPM, by mandating continued access to a PPM the licence conditions may be perversely facilitating gas theft.

I hope you find our comments helpful, should you require any more information please do not hesitate to contact me.

Yours sincerely,

Dan Alchin
Policy and External Relations Advisor