



Harpal Bansal
Smarter Markets
Ofgem
9 Millbank
London
SW1P 3GE

30th April 2012

Dear Harpal,

**Ofgem – Tackling Gas Theft: the way forward
Response by the United Kingdom Revenue Protection Association (UKRPA)**

The UKRPA accepts that change is required to help improve gas theft detection practices across Great Britain and therefore welcomes Ofgem’s consultation and final proposals. This UKRPA response builds on its October 2011 submission to Ofgem’s earlier consultation on this theme.

The UKRPA is a trade association open to parties involved in detecting and dealing with meter tampering and illegal abstraction of electricity and gas, and 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. The UKRPA currently has a total of 14 members, working in both gas and electricity revenue protection areas across Great Britain and Northern Ireland, also providing more specialist products and services (e.g. metering).

For these reasons, the UKRPA has limited its comments to policy rather than commercial considerations or indeed those related to licence policy drafting aspects. Answers to Ofgem’s specific questions are set out in the attached appendix.

It is against this backdrop that the UKRPA notes the following key points:

- **Gas Code of practice:** the UKRPA oversees both a '*Manual of Information and Guidance on Revenue Protection Procedures and Practice*' focused on electricity practices and a supporting Code of Practice for dealing with theft of electricity (Code of Practice, V1.0, February 2006). The UKRPA notes and welcomes the development of a similar code for gas.
- **24 Hour telephone service:** the UKRPA recognises the importance of providing an easy access for gas users to report theft (day or night). In that regard, the UKRPA already operates a 24-hour on-line reporting mechanism for both electricity and gas theft reports. During 2011/12 the UKRPA noted there was over 100% increase on energy theft reports (representing almost 1000 reports). The UKRPA believes an on-line service is more cost effective than a 24-hour telephone services (presumably free phone) which requires 24-hour back office support (by suppliers and gas transporters).
- **Incentive Scheme:** we agree that incentives can work to drive the right behaviours for theft services, however whilst we agree the existing compensation arrangements are no longer fit for purpose, we have reservations regarding the potential complexity and cost. Key questions arise, such as: how much should be in the pot, how to define success against targets, and managing settlement disputes etc, notwithstanding the need for some form of levelisation and settlement mechanism. In addition, we note below a risk of conflicting with other proposals that also requires consideration.
- **Theft of Risk Assessment Service (TRAS):** we agree that a central service to manage data information and referrals may be a more efficient means to coordinate intelligence to optimise theft detection. However, we strongly recommend that this service be managed separately from the governance and assurance activity to maintain independence and good governance principles. It would be perverse if the TRAS governed itself given the significant commercial and consumer issues at stake.
- **Best Practice:** we agree that sharing best practice is a key ingredient, especially as theft of energy is becoming ever more sophisticated. The UKRPA already provides such a forum and would be pleased to provide ongoing support in this capacity going

forward. Indeed, it has recently introduced a knowledge sharing Members forum for the exchange of ideas and intelligence. We would be concerned if parties were deterred from sharing best practice if they perceived it having a negative impact on their performance under an incentive scheme. Care should be taken in developing the governance around these schemes so not to create a conflict of interests.

The introduction of new measures should avoid constraining the ability of the market to respond to the constantly changing environment with respect to theft. Theft is becoming ever more sophisticated, and in some cases overseen by organised crime. As such, if the Ofgem and the Government is serious about tackling theft, industry will need assistance in raising the profile of energy theft with the Police and other stakeholders etc.

Whilst we fully support the requirement to ensure that vulnerable customers are afforded the right protection, it is equally important to stress the importance of 'safety first'. This is critical in the gas industry for customers living in close proximity to unsafe/tampered installations. For example, in electricity there was a recent occasion when a customer was found managing a cannabis farm and apparently had some learning difficulties. Consequently, the decision between vulnerability, safety, criminal activity and disconnection is not always straight forward. It is therefore important to ensure that decisions can be made on the ground without fear of regulatory challenge.

Finally, we have noted that Ofgem intends to also consider similar policy proposals for electricity. Whilst there are significant infrastructure differences between the two, we believe there is a correlation between incidents of finding gas theft and electricity theft. It is important that any arrangements (with specific reference to the TRAS) put in place for gas can be readily extendable to electricity, in that regard we recommend that the TRAS be a fully outsourced independent service such that its operations can apply to both.

Please do not hesitate to contact us with any questions.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Thornton', written over a light blue horizontal line.

Tony Thornton
Chair, UKRPA

APPENDIX A

UKRPA RESPONSE TO OFGEM QUESTIONS

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

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*

Q1. UKRPA Response: we broadly agree with the proposals, albeit with the following reservations:

- **24 Hour telephone service:** The UKRPA believes an on-line service is more cost effective than a 24-hour telephone services which requires 24hour back office support (by suppliers and gas transporters).
- **Incentive Scheme:** we have reservations regarding the potential complexity and cost. Key questions arise, such as: how much should be in the pot, how to define success against targets, what about disputes etc, notwithstanding the need for some form of levelisation and settlement mechanism.
- **Theft of Risk Assessment Service (TRAS):** we strongly recommend that this service be managed separately from the governance and assurance activity to maintain independence and good governance principles. It would be perverse if the TRAS governed itself given the significant commercial and consumer issues at stake.

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

Q2. UKRPA Response: the UKRPA accepts that direction is required in order to make change happen in a coordinated manner. However, we advise against being too prescriptive noting that this could frustrate the development of innovative practices to detect and also to prevent theft.

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?
- (b) The Theft Target?
- (c) The Governance of the Theft Risk Assessment Service?
- (d) The Appointment and operation arrangements for the Theft Risk Assessment Service?
- (e) The reporting requirements for the Theft Risk Assessment Service?

Q3. UKRPA Response: the TRAS framework of services appear reasonable, however the approach has not been costed. This would appear to be an important consideration prior to finalising its scope of responsibilities. We also strongly recommend that this service be managed separately from the governance and assurance activity to maintain independence and good governance principles. It would be perverse if the TRAS governed itself given the significant commercial and consumer issues at stake. As such, it should be an independently procured service that may be capable of extending to support electricity.

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

Q4. UKRPA Response: Our view is that it takes 6 month generally to undertake the business requirements, ITT and procurement process. The contracted party would need to develop bespoke systems, processes and contracts to support the activity – this is likely to take a further 6-9 months. This means that a 31st December 2013 implementation date should be achievable. However this is to disregard the tremendous industry change that is already underway when resources will be very stretched. Consequently as quarter 1, 2014 date might be a better option.