

***By email***

Anna Rossington  
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22<sup>nd</sup> November 2012

Dear Anna,

**Strategy consultation for the RIIO-ED1 electricity distribution price control - Response by the United Kingdom Revenue Protection Association (UKRPA)**

The UKRPA acknowledges and is fully supportive of Ofgem's recognition of the severity of the problem of electricity abstraction. It is therefore pleased to respond to Ofgem's consultation with a specific focus on providing further insight into current revenue protection issues as experienced in and around the UK. This consultation response builds on the work that the UKRPA continues to do in both the electricity and gas markets with regard to driving forward best practice and pioneering revenue protection initiatives.

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. smart metering).

The UKRPA currently benefits from engagement with a number of bodies related to utility theft in the energy, water, law enforcement and telecoms sectors. In addition to this the UKRPA is currently working with organisations such as the Association of Chief Police Officers (ACPO), the Home Office and a number of Housing Trusts and Associations on energy theft campaigns and initiatives. The UKRPA's multifaceted approach to engaging with all sectors of the energy industry, from Meter Operators to Network Operators, allows the UKRPA to benefit from interactions that could enhance the implementation and effectiveness of any proposals implemented at a regulatory level.

Bearing in mind the scope of considerations laid out within Ofgem's consultation document and in keeping with the remit of the UKRPA, our response will be limited to commenting on revenue protection matters relating to the consultation.

With this in mind the UKRPA notes the following:

- **Energy theft initiatives must go further:** The UKRPA considers that a ‘joined up’ approach should be encouraged, where appropriate, with consideration being given to information from the police and the general public in targeting energy theft (incl. theft in conveyance). The UKRPA currently provides a 24hr/365day mechanism for consumers to anonymously report energy theft, which is fed to relevant industry parties, who then go on to carry out investigations. The UKRPA would further encourage Ofgem to engage with the industry in an attempt to drive the identification and to address energy theft on both the Supplier and Network side.
- **Consumer protection is critically important:** The UKRPA considers that more should be done in terms of highlighting to consumers the risks involved with participation in energy theft. Much has been made of the Suppliers’ disincentive to prevent and detect electricity theft as a result of exposure to greater network / commodity charges. However, in our experience, the costs involved with the detection / prevention of theft is not the key concern, it is in fact the greater consequences of electricity theft – ultimately, loss of life. It is important that the right balance is struck between, on the one hand, incentives for suppliers / network companies, and on the other, the ability to take direct action as and when necessary.

The ability of companies to take direct action acts as an important deterrent. Legislative measures must not work against the greater good of a framework that has at its heart the means to modify consumer behaviour, i.e. not taking such risks in the first place. These direct measures, including the disconnection of unsafe supplies, must also be complemented with the ultimate sanction of prosecution. That said, prosecution is not inexpensive, it is very time consuming and costly to administer, a cost ultimately borne by all consumers.

- **Cannabis farms are a growing concern:** The UKRPA considers the prevalence of cannabis farms to be an increasing problem. The sophistication with which these farms are set up is increasing, as are the measures that farm operators adopt to avoid detection. Moreover, these farms install booby traps to cause significant harm to those that dare enter, causing further investigation and detection complications.

The UKRPA have also observed a trend in cannabis farmers moving away from a few large scale farms to numerous smaller scale farms, often within domestic premises, thus spreading the social and individual risks associated with cannabis cultivation. Cannabis farms will often prevail within specific regional areas, with gangs moving from area to area, even internationally, further complicating the investigation of such cases.

The risks associated with electricity theft represent quite different challenges to those of gas theft, and the UKRPA is pleased to be involved with the Home Office action group, involving police organisations, Ofgem, a number of energy companies, and the UKRPA, looking at ways to tackle the issue of cannabis farms.

The UKRPA now responds to Question 3 posed by Ofgem as follows:

**Question 3:** Should DNO actions to identify and address electricity theft be encouraged through an approach outside of any losses reduction mechanism? Do you have any views on the proposed approach, or any alternate proposals, that we should consider?

The UKRPA considers that DNO (as well as other market participants) actions to identify and address electricity theft should always be encouraged, whilst taking account of any wider obligations. In our experience there are currently a plethora of mechanisms by which tenacious energy consumers attempt to avoid paying the true value of the energy that they are consuming, not to mention those methods that are yet to be developed in light of smart meters. With this in mind the UKRPA encourages any initiatives that further incentivise market participants who are committed to detecting and tackling energy theft. In order for this to happen, an environment of information and best practice sharing, as well as a robust incentive mechanism must be further fostered within the market.

The UKRPA consider a 'TRAS' type mechanism to be a practical approach and would further advise that there should be an opportunity to learn from the development of the TRAS in the gas market and take into account its successes and any failings in development of an electricity equivalent. However, as noted above, the theft of electricity represents fundamentally different challenges to those of gas. The development of the gas TRAS should not frustrate the right framework and measures to be adopted for electricity. The electricity challenge is of a different type of risk, heavily influenced by drug cartels and organised crime.

We are confident that a TRAS approach, across both markets, can yield positive results in the battle against energy theft, especially when considered in relation to and in conjunction with, a number of the other initiatives going on in the industry, both now and in the near future.

As always the UKRPA is open to sharing the benefit of its experience and its initiatives with Ofgem and other interested parties; with that in mind, please do not hesitate to contact us with any questions.

Yours sincerely

Tony Thornton



Chair, UKRPA