

# Consumer Futures

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Chiara Redaelli

By email: [smartermarkets@ofgem.gov.uk](mailto:smartermarkets@ofgem.gov.uk)

28 August 2013

Dear Chiara

## Consumer Futures response to tackling electricity theft – consultation

Consumer Futures represents consumers across regulated markets. We use evidence, analysis and argument to put consumers at the heart of policy-making and market behaviour. We speak up for consumers of postal services across the United Kingdom, of energy across Great Britain and of water in Scotland.

Consumer Futures welcomes the opportunity to respond to this consultation. Our response is not confidential and can be published on your website.

### Response to questions

#### CHAPTER: Three

#### Question 1: Do you agree with our proposals to introduce new electricity supply licence obligations in relation to theft?

Consumer Futures supports Ofgem's proposals to introduce an overarching objective via a new licence condition ('the Objective') which will require suppliers to detect, prevent and investigate theft of electricity. We welcome the inclusion of damage to equipment as well as theft, however it is important that consumers who have any unrecorded supply or safety concerns caused by accidental damage are treated fairly on a case by case basis as this is a different situation to wilful tampering and intent to steal electricity.

In relation to *detecting* the theft of electricity, the rollout of smart meters presents a unique opportunity to check/see every meter in Great Britain as they are changed for smart meters. The proposals for a co-ordinated approach to identifying and managing electricity theft include options for a central database and it is essential that Ofgem and DECC co-ordinate this to ensure that data is not duplicated between the Data Communications Company (DCC) and any potential electricity theft database.

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Furthermore Consumer Futures considers it crucial that in the future smart meter data is not used in isolation to try and identify theft based solely on an increased level of consumption. A change of consumption can be triggered by any number of things (new appliances, extra people in the household or a change of circumstances which result in the use of more energy eg redundancy, pregnancy etc). Where a supplier is concerned about an abnormal increase in consumption it is vital that there are expectations about the way in which that supplier communicates with the consumer to establish the cause of that increase.

Consumer Futures supports Ofgem's intention to place an obligation on electricity suppliers to co-operate in the delivery of the new arrangements to increase theft detection. In our view, an increase in theft detection will be beneficial to consumers and to the market as a whole, but we agree that it may not be commercially desirable for any one individual supplier, as illustrated by the lack of progress historically. It is important that suppliers work together to identify improvements to prevention, detection and investigation. Consumer Futures is strongly of the opinion that the industry and individual suppliers should not be seeking to make excessive profits from any activity taken to detect, prevent or investigate the theft of electricity. While we understand that there will be incentives and some profit will be made, it is imperative that any costs or charges placed on consumers are proportionate and reflective of the costs that suppliers and the industry are faced with.

Consumer Futures agrees with Ofgem's consideration that a duty to 'prevent' has two connotations, that the supplier should stop the theft from continuing to occur once it has been identified and secondly that the supplier should seek to prevent the customer from undertaking the theft. It is also important that in this context that a minimum baseline for the 'reasonable steps to prevention' is agreed by suppliers in order to ensure that that it is possible to measure/monitor suppliers achievement of this objective. Further to this, it is almost inevitable that new smart meter technology will also lead to new mechanisms for theft – via the Home Area Network (HAN) or the Wide Area Network (WAN). It is important that any regulatory framework is capable of responding to the changing and dynamic nature of electricity theft.

Consumer Futures also considers that in order to prevent theft from re-occurring it is important to ensure that the repayment plan is sustainable and monitored carefully by the supplier. Treatment post identification is crucial so that the level of debt recovery does not prompt the customer to repeat offend. The reason for repeat offence might be because they are sometimes faced with significant costs that they have not had previously, they have not budgeted for and cannot physically meet. The level of debt can sometimes actually set the customer up for failure, which is not in the suppliers interests either. It is important therefore that suppliers ensure repayments are sustainable.

Finally, Consumer Futures also considers that there should be more information available for consumers about what they should do next and the dangers that tampered meters could cause.

Our Extra Help Unit accompanied a Revenue Protection Unit (RPU) team and found that the leaflets or paperwork that were left to explain the issues did not seem to be particularly user friendly especially for consumers who may have difficulties with reading. It may not be realistic to expect RPU staff who may not be welcome in a consumers home to provide a thorough explanation of these issues either.

Therefore we consider that it would be useful for the RPU team to leave behind information about redress and how to get reconnected. It may be better to keep other information to the minimum. We consider that the inclusion of some suitably frightening pictures of the consequences of meter tampering would be better, and could demonstrate how such an offence can commonly lead to fire and possibly the loss of life. ScottishPower has shown us in the past a meter which has melted due to meter tampering and pictures of a flat that had been burnt to a shell – an event which led to a consumer's death. Images of this type had quite an impact on us and we consider would also have a greater impact on consumers than a complex explanation of the legal issues related with meter tampering.

The RPU team during these visits also told us that some consumers who had their meter replaced straight away after the first tamper, expect them to do this every time a tamper is discovered – so a very prominent and clear message explaining that a repeat offence will not necessarily lead to the supply being reconnected also needs to be made as simply but effectively as possible.

### **Question 2: Do you agree that our drafting proposals set out in Appendix 3 reflect the policy intent described in this chapter?**

Consumer Futures agrees that the drafting for the licence condition is appropriate and meets the policy intent as set out in the consultation document.

Consumer Futures welcomes the synergies that the consultation identifies between detecting/preventing/investigating theft and the current protections for consumers, in particular consumers in vulnerable situations, including those that have genuine difficulty in paying charges. It is important that any accompanying guidance makes links to, and is consistent with, existing regulatory guidance in relation to debt and disconnection. This is specifically the links to the key principles on ability to pay and any smart meter guidance on remote switching from credit to prepay/remote disconnection. It is also vital that suppliers apply other self regulatory mechanisms, in particular Energy UK safety net in relation to customers in vulnerable situations.

### **Question 3: Do you consider that electricity suppliers should be required to offer vulnerable customers and customers that would have genuine difficulty paying, different methods for the repayment of charges associated with electricity theft as an alternative to disconnection?**

Ofgem's proposals would require suppliers to offer to recover any charges associated with the electricity theft via a prepayment meter, unless it is not safe or reasonably practicable to do so. Consumer Futures also recommends that the regulator places a requirement on gas suppliers to offer customers a wide range of options for the repayment of debt/charges accrued as a result of theft.

This approach will be consistent with SLC 27.8 which requires suppliers to take account of a customer's ability to pay when agreeing a repayment amount. Setting repayment rates and agreeing that charges can be paid back at an affordable rate for consumers is also crucial as it can avoid self disconnection and the potential harm that it can cause. As discussed at the end of our answer to question 1, it is important that repayments are sustainable.

Consumer Futures agrees that in some circumstances, for example where a vulnerable customer repeatedly tampers with their gas supply and put themselves or others in danger, then disconnection may be an appropriate response. However, it is vital that if a supplier is aware of any vulnerability in a household that has been disconnected that supplier notifies the relevant authorities (for example any local charity partners). We support the suggestion made by Ofgem that the suppliers work together to set out common rules in the code of practice for tackling these situations. Consumer Futures would be happy to work with suppliers to develop such a code.

**Question 4: Do you agree that our proposed new electricity supply licence conditions should be introduced as soon as reasonably practical?**

Consumer Futures agrees that the new electricity supply licence should be introduced as soon as reasonably practical. We are pleased that Ofgem will be working with suppliers to detail specific auditing and reporting requirements. It is essential that any development, particularly in relation to using consumption data to detect theft, are continuously monitored and updated in relation to smart meter data.

Consumer Futures warmly welcomes the proposed license condition to ensure that the licensee informs the customers about; the basis of any assessment made by the licensee; the basis for the calculation of ant charges made by the supplier; what the customer could do to reinstate their supply following any disconnection; and how to challenge the supplier's decision. We recommend that Ofgem requires suppliers to give consumers information about any sources of independent advice and support, including the first tier energy consumer support being delivered by Citizens Advice consumer service.

We welcome the acknowledgment in the consultation that there can be significant consequences for a customer if their supplier incorrectly considers that theft has occurred. It is imperative that the licence obligations and guidance place a responsibility on suppliers to ensure that they have sufficient evidence to establish that theft has occurred before disconnecting the customer or seeking to recover any charges associated with the offence. Furthermore, that evidence and the rationale must be clearly communicated and understood by the consumer.

**CHAPTER: Five**

**Question 5: Do you agree with our approach to conducting the draft IA, the assumptions that we have made and the outcome of our analysis in the accompanying draft IA?**

N/A

**Question 6: Have we correctly assessed the main impacts in the accompanying draft IA? Are there additional impacts that we should consider?**

The Impact assessment is comprehensive.

Consumer Futures notes that Ofgem will be introducing a duty to investigate in the code of practice and an obligation to require a supplier to take all reasonable steps to determine whether an illegal supply has been taken, to co-operate in the delivery of the new arrangements to improve theft detection and prevention and also to set out standards for the quality of investigations and the treatment of customers. We are pleased that you intend to monitor supplier behaviour on theft investigations and reiterate our earlier point made in response to Question 4 and ask Ofgem to ensure that there are robust mechanisms in place to scrutinise and monitor the code and the new license conditions.

**Question 7: Which, if any, of the proposed policy measures (or package of policy measures) to support theft investigation, detection and prevention should be implemented and why?**

While Consumer Futures does not have a preference for any of the three proposals, it is imperative that the model that is implemented does not seek to make excess profit from the activities it undertakes to detect and investigate theft. Charges placed on the consumer must be proportionate to the costs that suppliers face. Furthermore it is vital that there are protections in place to enable consumers to repay debts/charges at an affordable rate, and that vulnerability is considered before leaving consumers off supply.

**Question 8: Do you consider that there are alternative proposals, or variations of the combinations of the proposed policy measures that should be considered?**

N/A

**CHAPTER: Six**

**Question 9: Do you agree with our view that DNOs, for the time being, should not be included in an incentive scheme?**

Consumer Futures agrees that Distribution Network Operators (DNOs) should not for the time being be included in an incentive scheme until there is further clarity on the DNOs role in tackling theft.

**Question 10: Do you agree with our view that DNOs should have licence obligations to tackle theft in conveyance?**

Consumer Futures agrees with Ofgem's view that DNOs should have license obligations to reduce losses as far as reasonably practicable, and actions taken to reduce losses due to theft should be encouraged by this license obligation. We agree with the license changes proposed and ask that any costs of the DNO must be kept to a minimum and be proportionate to the costs passed on down the chain to the consumer. Ofgem should have in place robust measures to monitor and scrutinise DNO license obligations.

**Question 11: Are you aware of any alternative proposals to support DNOs in tackling theft in conveyance that should be considered? If so, please provide further details. If you are copying and pasting text from another source, then to maintain the correct formatting in the letter, go to the paste menu above and select Paste special/Unformatted text. Paste over these paragraphs (but do the title separately).**

N/A

Yours sincerely,

**Imogen Birch**  
Policy manager