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19 August 2013

Dear Ms Redaelli,

### **Tackling electricity theft - Consultation (Ref 100/13)**

Haven Power Ltd (Haven) is a non-domestic electricity supplier that has been supplying Small Medium Enterprises since 2007. In 2009, we entered the Industrial & Commercial (I&C) sector and have been steadily growing our customer base in both areas.

Haven welcomes the opportunity to provide feedback on the proposals to tackle theft in the electricity market. We have provided some general comments, some specific points that we feel need consideration, and some areas where we would like clarity.

We take the issue of electricity theft seriously and recognise that steps need to be taken to improve detection, however we do not feel it is equitable to fund any incentive schemes using a market share calculation based on settled volumes, it is hard to measure and is subject to change. More significantly it would increase costs disproportionately for larger customers.

Costs associated with funding an incentive scheme incurred by suppliers would ultimately be passed on to the end customer. A supplier with domestic and non-domestic portfolios would have enough variety in their portfolio to spread the costs across their customer base where those supplying one sector would not, this would effectively create winners (domestic suppliers who will pay a smaller proportion but who would have higher theft incidents and therefore more opportunity to receive incentive payments) and losers (non-domestic suppliers with Energy Intensive customers who would pay a high proportion but have fewer incidents). This will effectively mean that business customers – and large I&C customers in particular would be subsidising the costs associated with the larger number of domestic cases. A MPAN related sharing mechanism would be far more equitable.

It is also important to note that in the non-domestic sector not all agent appointments are made by the supplier, some are customer appointed and the supplier must use the contracted agent. Suppliers have no contractual relationship with these agents and no way of enforcing licence conditions on them as they are not “their agents”. All suppliers can do with these agents is to work with them and encourage them to deliver their obligations under their accreditations. It can be the case that there are commercial disincentives for agents to investigate customers who are paying for their services. Suppliers should not be held responsible if they have no direct control. There needs to be clarity about what help the TRAS will supply in instances where a supplier has difficulty with a customer appointed agent and how any responsibilities will be enforced on those agents and by whom.

Whilst it is proposed that the duty to investigate and minimum standards for investigation will be obligations placed on suppliers, many do not have the necessary experience and expertise in-house (especially at the smaller end of the market) and rely on the services of Revenue Protection specialists. It is extremely important that when drawing up any code this is done in cooperation with the Revenue Protection sector and takes into account their best practice. Any standards for investigation must be practical and achievable and the RPS must commit to deliver this for any supplier that requests it.

The Impact Assessment makes reference to the use of profiling criteria by the Theft Risk Assessment Service (TRAS) to assess the risk of electricity theft at premises and this will use data from all “relevant sources”. Given that suppliers will be expected to investigate (directly or via agents) any cases provided by the TRAS or provide reasons for not doing so we feel that it is important to have visibility of the sources used to source the data for the profiling and that the profiling criteria is subject to regular review taking into account factors such as seasonality. It is important that TRAS has a level of accountability that instils confidence; reports based on inaccurate information run the risk of undermining the credibility of the process and reducing its efficiency. To help combat this the TRAS should be required to monitor and publish statistics on referrals and their subsequent validity and should be required not to resubmit erroneous cases unless it has updated and relevant information.

It is also important to ensure that the standards of investigation take into account proportionality and allow suppliers a certain amount of discretion; for example drops in consumption that after initial investigation can be explained by bereavement, illness or plant shutdowns should not be subject to mandatory site visits and suppliers should not be required to put their staff or agents at risk of serious harm to complete an investigation – regardless of whether or not the theft involves a cannabis farm.

Haven also has concerns regarding the wording of proposed licence condition XX.11 (g). As it is drafted customers who move into premises where there has been theft by e.g. meter bypass get free electricity which cannot be right. Regardless of whether a customer has made an illegal connection themselves or is culpable in any way for the connection, they have still consumed electricity and should reasonably be expected to pay for that power. We believe that by introducing culpability as an element that must be present in order for suppliers to be paid for electricity consumption you are creating a situation where it is a customer's best interest to be as obstructive as possible, potentially increasing the risk of damage to equipment and physical harm that agents investigating electricity theft will face.

We understand the difficulty dealing with the issues of electricity theft and vulnerability and support the Energy UK Safety Net for domestic customers, but do not feel that these steps would be appropriate for application in the non-domestic sector. When applying vulnerability strategies to instances involving electricity theft we feel that care needs to be taken to ensure that safety is not compromised. Many illegal connections are made by individuals who are not accredited or qualified to carry out the work to the necessary standard and DNOs, suppliers and their agents need to have the discretion to disconnect for reasons of safety or illegality – especially when instructed by law enforcement to do so. We feel that given the potential for serious harm that illegal reconNECTIONS and meter bypasses pose, careful consideration needs to be given to ensure that the message is not given to consumers that while suppliers are more likely to detect theft they have a reduced ability to do anything about it.

If you have any questions or need any further details from us please do not hesitate to contact me

Yours sincerely

Sent by email.

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