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27th August 2013

Dear Chiara,

## Re: Tackling Electricity Theft Consultation

National Grid Gas plc welcomes the opportunity to respond to this consultation. This response is made on behalf of National Grid Gas Distribution (NGGD). Please find below our general observations. We have chosen not to comment on the individual questions set out in the document, since the consultation is aimed at electricity suppliers and Distribution Network Operators (DNOs).

We note Chapter Six focuses on the role of DNOs in tackling electricity theft and that Ofgem has decided not to apply a financial electricity losses incentive scheme under the current electricity distribution (DPCR5) or the next price control (RIIO-ED1). However, the intention is to keep the existing obligations under the DCUSA whereby theft in conveyance is the responsibility of the DNO operating the network assets from which the electricity is being abstracted, as well as the existing Licence condition of SLC27, where the DNO must inform the relevant supplier if they become aware of a suspected case of meter tampering.

Furthermore, paragraph 6.13 describes that the policy proposal of Ofgem is to “...*assess the scope for costs associated with theft detection and reduction activities to be recovered through existing mechanisms*”. We believe this to be significant, since it suggests that potentially all costs associated to the investigation, detection and prevention of theft can be recovered by the DNOs.

By way of comparison, the National Grid Gas Gas Transporter Licence includes an obligation to investigate the illegal taking of gas, within Standard Condition 7, Provision of Information Relating to Gas Illegally Taken. This condition limits the costs that Gas Transporters can recover in undertaking investigations. This is because Transporters are only able to pass through costs incurred in circumstances where they are able to identify an illegal taking of gas and have made ‘reasonable endeavours’ to recover the costs of gas taken from the consumer. Transporters are not funded in respect of cases where they undertake an investigation of an alleged or suspected theft but no illegal activity is identified and/or it is inappropriate to seek to recover any costs of gas taken. We believe this creates a disincentive for Transporters to be proactive in their investigation activities, particularly as cases can be evidentially costly, complex and involve vulnerability questions.

National Grid acknowledges the hard work done by Ofgem over the years and particularly recently to address theft with the industry. A further modest step that would help gas transporters would be to remove the disincentives by providing for full cost recovery mechanisms and, or encouraging new incentives to pursue theft. We believe this would ultimately be to the benefit of those consumers who pay their energy bills each year.

We have discussed with Ofgem the notion of an incentive for theft investigations and believe an appropriate mechanism may be achievable. We will continue to examine this approach and look forward to further engagement with Ofgem and the industry over the coming months.

Should you wish to discuss any matter within this letter, please contact myself or Ruth Thomas on 07768 173469, [ruth.thomas2@nationalgrid.com](mailto:ruth.thomas2@nationalgrid.com).

Yours sincerely,

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