

Tackling Electricity Theft - The way forward

Final decision and Notice of modifications to the electricity supply licence

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Overview:

The theft of electricity has a material impact on customers in terms of both cost and safety. We consider that the existing regulatory framework does not adequately encourage suppliers to be proactive in detecting and deterring theft.

This document sets out our final proposals on a new supply licence condition for electricity suppliers on tackling electricity theft and consults on the accompanying requirement to introduce a central service to profile the risk of theft at individual premises. It also sets out the principles that we consider should be adopted in developing an incentive scheme for electricity suppliers, as well as other supportive measures.

We also set out next steps to reform the regulatory framework to strengthen the arrangements for tackling theft and on the proposed role of Distribution Network Operators (DNOs) in tackling theft in circumstances where it is not responsibility of suppliers.

Context

This document reflects our commitment, set out our Forward Work Programme 2013-14, to support industry initiatives to revise anti-theft arrangements and to consider whether further action is required.

Here we focus on the electricity market. We intend to build on arrangements for tackling gas theft developed in 2012.

Our proposals also support several key themes outlined in our Corporate Strategy and Plan 2011-16. These include promoting value for customers and protecting the interests of vulnerable customers, helping to maintain security of supply and achieving a low-carbon economy.

Associated documents

- Tackling electricity theft: consultation and Impact Assessment
<https://www.ofgem.gov.uk/publications-and-updates/tackling-electricity-theft-consultation>
- Tackling gas theft: the way forward and Final Impact Assessment, March 2012, Ofgem (Ref: 35/12)
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=100&refer=Markets/RetMkts/Compl/Theft>
- TRAS Direction, January 2013, Ofgem
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=149&refer=Markets/RetMkts/Compl/Theft>
- Standing Issue 39 Final Report, February 2011, Elexon
<http://www.elexon.co.uk/Pages/Issue39.aspx>
- Strategy consultation for the RII0-ED1 electricity distribution price control - Outputs, incentives and innovation, September 2012, Ofgem (Ref 122/12)
<http://www.ofgem.gov.uk/Networks/ElecDist/PriceCtrls/riio-ed1/consultations/Documents1/RIIOED1SConOutputsIncentives.pdf>
- Theft of Gas and Electricity - Discussion Document, April 2004, Ofgem (Ref: 85/04)
<http://www.ofgem.gov.uk/Markets/RetMkts/Compl/Theft/Documents1/6839-8504Energytheft.pdf>
- Theft of Energy Incentive Group – Final Proposals, June 2007, ENA and ERA
<http://www.energy-retail.org.uk/documents/ReportoftheTheftIncentiveSchemeDevelopmentGroup-FinalProposalsJune2007.pdf>
- DCP080/80A – Theft in conveyance, September 2011, Ofgem
<http://www.ofgem.gov.uk/Licensing/ElecCodes/DCUSA/Changes/Documents1/DCP080%20080A%20D.pdf>

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Executive Summary

Theft of electricity increases prices for customers and reduces safety. It leads to misallocation of costs among suppliers, which can distort competition and hamper the efficient functioning of the market. It also has links to organised crime, in particular cannabis cultivation.

We consider that existing statutory duties, licence conditions and industry code requirements are insufficient to ensure that electricity suppliers or Distribution Network Operators (DNOs) undertake sufficient activity to detect and deter electricity theft and protect honest consumers from harm arising from theft.

We consider that our role in this context is to facilitate the development of effective arrangements to tackle energy theft. In July 2013 we consulted on proposals to develop new arrangements for tackling electricity theft that mirrored the regulatory framework implemented in the gas sector in 2013.

Final proposals

We received 21 responses to our July 2013 consultation. In light of the positive responses received, we have concluded that the proposed changes to the current regulatory framework should be made to help ensure that the regulatory arrangements are in the best interests of consumers. We confirm our electricity theft policy is based on the following changes:

- We are introducing new licence conditions for electricity suppliers to strengthen their obligations to investigate, detect and prevent theft
- We are consulting on establishing a Theft Risk Assessment Service to facilitate industry actions to tackle theft. This would be introduced through a Direction by the Authority to all electricity supply licence holders.
- We are setting out principles industry should consider to implement incentive measures to support suppliers in their activities to tackle theft. Such incentive measures would need to be introduced by industry code modifications which then come to the Authority for approval.
- We are setting out our approach to new obligations for DNOs to tackle theft in circumstances where it is not the responsibility of suppliers. These will be developed through the RIIO ED-1 licence drafting process.

Next steps

This document includes:

- A Statutory Consultation on a proposed modification to the electricity supply standard licence condition. Please respond by 2 April 2014.
- A consultation on a draft direction to require suppliers to set up, in accordance with the new licence condition, a central Theft Risk Assessment Service. Again, please respond by 2 April 2014.
- Principles we expect the industry to adopt when considering incentives through the code-modification governance process
- Additional measures to tackle theft, including keeping the Revenue Protection Code of Practice on Theft Investigations updated.



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Subject to consultation responses, we aim to introduce the new licence obligations by summer 2014. We would then expect the incentive scheme to be up and running by early 2015 and the Theft Risk Assessment Service to be operational by 31 March 2015.

1. Introduction and overview of the Theft Arrangement

1.1. Electricity theft results in a cost for electricity consumers and a safety hazard for all. Poor industry performance in tackling theft prompted our work to reform the current regulatory framework. In our work, we assessed the disincentives suppliers currently have to increase theft detection and we developed proposals to improve theft investigation, detection and prevention.

1.2. We consulted on our policy proposals to establish a new theft arrangement in July 2013. Our policy proposals included:

- Introducing a new electricity supply Standard Licence Condition (SLC) to investigate, detect and prevent theft.
- Establishing a Theft Risk Assessment Service (TRAS). Using data gathered from suppliers, this service will provide suppliers an assessment of the likelihood of theft occurring at individual sites.
- Setting out principles for incentives measures that, if implemented, have the potential to increase the level of theft detection and prevention. Under our proposals, suppliers will receive a payment based on their performance in tackling electricity theft.

1.3. In the consultation, we also sought views on the role of Distribution Network Operators (DNOs) in tackling electricity theft in circumstances where it was not the responsibility of suppliers, for example theft from the networks.

1.4. We received 21 responses. Respondents broadly supported our proposal to introduce a new electricity supply SLC, although some expressed concerns about the broad definition of vulnerability in the draft licence. Parties also supported our proposal to establish the TRAS. However, most thought a dual-fuel TRAS would be better and more efficient. On the proposed incentive measures, stakeholders expressed different views about what measures could increase theft detection and prevention. Finally, all respondents thought DNOs already played a key role in detecting theft in conveyance, but noted that more clarity on the regulatory framework was needed. Chapter 2 in the final impact assessment document summarises these responses.

1.5. This decision document sets out our final proposals for the reforms that should be implemented to tackle electricity theft. These take into account respondents' views and additional analysis.

The new Theft Arrangement

1.6. We consider that electricity theft is a cross-industry issue. Consumers would benefit most if the roles and responsibilities between parties are clearly defined and



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cooperation is enhanced. These two principles underpin our final proposals to establish a new Theft Arrangement.

1.7. Our aim is to create a regulatory environment that minimises the risk of theft remaining undetected. We believe we can achieve this by providing greater clarity about suppliers' and DNOs' obligations, encouraging better communication between parties, and addressing the commercial disincentive to increase theft investigation, detection and prevention.

1.8. The Theft Arrangement adopts the three proposals from our July consultation:

- The new electricity supply SLC will set requirements to detect, prevent and investigate theft of electricity. It will also define standards for investigation. The Authority will introduce this SLC using powers under the Electricity Act. We discuss the policy intent and content of the proposed new theft SLC in Chapter 2.
- The TRAS will help suppliers assess the risk of theft. Suppliers will have to report on their performance in responding to theft in a consistent way so that the TRAS can use that information. This will improve communication. The TRAS will also raise efficiency by helping suppliers allocate resources to tackle theft to sites with a higher chance of theft. Suppliers will be directed by the Authority to establish the TRAS. We discuss the key features of the TRAS in Chapter 3.
- If implemented, an incentive scheme could help address the commercial disincentive suppliers currently face to increase theft detection. We set out our principles for an incentive scheme that the industry may consider for implementation in Chapter 4. We expect industry to raise modifications to relevant Codes to implement the incentive schemes. The updated impact assessment presents the benefits of a potential incentive scheme.

1.9. We believe DNOs could make a valuable contribution to the new Theft Arrangement. DNOs already carry out revenue protection activities for detecting theft in circumstances when it is not responsibility of the supplier. Moreover, through contractual agreements with suppliers, their activities sometimes also encompass detecting theft not in conveyance.

1.10. We consider that the current framework regulating DNOs does not provide enough clarity over their obligations and what they can do when they detect theft.

1.11. We are working with the industry to reform the current framework as part of the RIIO-ED1 price control. Our work focuses on:

- Introducing a new licence obligation for DNOs to detect theft when it is not responsibility of a supplier
- Introducing a mechanism to allow DNOs to share the recovered value of electricity stolen with customers.

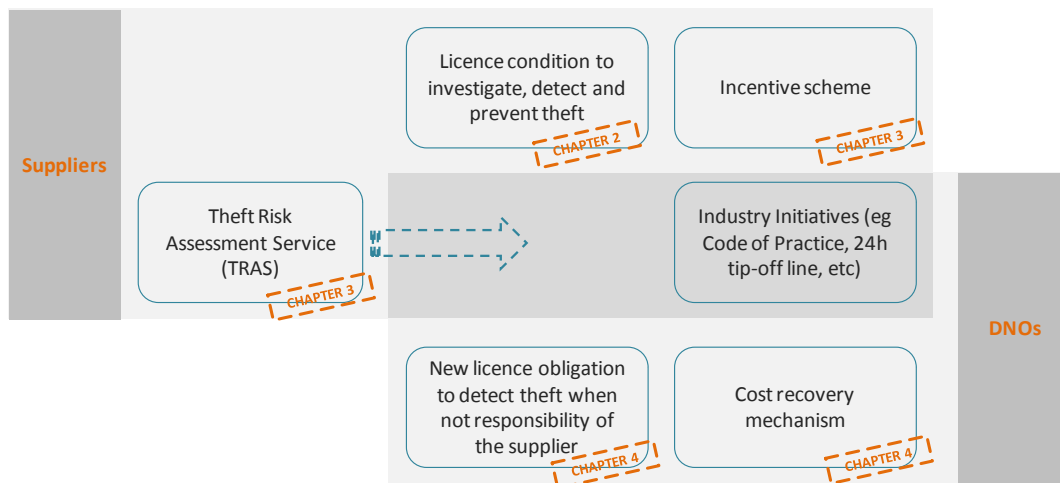
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1.12. The new Theft Arrangement should enable more effective cooperation between suppliers and DNOs. The TRAS would enhance collaboration among suppliers. While initially this service would be implemented by and offered to suppliers, we consider that DNOs may also benefit from the better information provided by the TRAS and therefore we do not preclude the possibility that they may join it in the future. However, it would be for the industry to assess the best governance arrangements to implement the TRAS in the most timely and efficient manner.

1.13. We also note that additional steps should be taken to enhance theft detection (for example a 24-hour tip-off line, a forum for sharing best practices and a stolen meters register) and encourage industry to take action to implement such effective measures as soon as possible.

1.14. Figure 1 below sets out our ambition for the new Theft Arrangement. While the focus on this work is on electricity theft, we note the potential for industry to adopt a dual-fuel approach.

Figure 1 - New Electricity Theft Arrangement



1.15. We expect the proposed Theft Arrangement to considerably improve theft investigation, detection and prevention to the benefit of honest electricity consumers, while providing clear guidance for protecting vulnerable consumers. Consumers would benefit in several ways:

- Better theft detection and resource allocation should save money for suppliers, so consumers would enjoy lower electricity bills
- Confidence in the energy sector should increase as consumers see there were clear standards of theft investigation and detection.

Additional measures and initiatives to tackle electricity theft

Revenue Protection Code of Practice

1.16. A change proposal to introduce a code of practice (CoP) was developed under DCUSA¹ arrangements (DCP054). We approved the modification in September 2013². The change incorporates the CoP for theft investigations into the DCUSA and prescribes that certain revenue protection procedures are consistently undertaken by all industry parties. Industry parties are responsible for maintaining the CoP in order to reflect best practice.

1.17. Following acceptance of the change proposal, the CoP was required to be published in full on the DCUSA website and made available to any party who requests a copy. However, some parties raised concerns that the public availability of the CoP could assist electricity thieves avoid detection. A change proposal (DCP191) was raised to address this risk. The proposal sought to clarify that the CoP would be published on the password protected area of the DCUSA website. We approved DCP191 in December 2013³. We noted that the approval is a short-term pragmatic step to mitigate the perceived risk, until a revised CoP can be published in full on the open access area of the DCUSA website. For the time being, the CoP would therefore be available on the restricted area of the DCUSA website.

Electricity theft and cannabis cultivation

1.18. Little is known about the volume of theft linked to cannabis cultivation, but industry estimates indicate that it accounted for around a third of all electricity abstracted at premises where theft was detected (2010 data). Recent discussions with suppliers and DNOs confirmed that theft relating to cannabis has been increasing in the past three years, especially in London and surrounding areas, the West Midlands and Yorkshire.

1.19. We consider that the detection of theft linked to cannabis cultivation can be vastly improved by enhancing communication between interested parties, including suppliers, DNOs and the Police. This is because it is an illegal activity and often occurs both in conveyance and not in conveyance.

1.20. We note the Home Office initiative to work with local Police and energy companies to promote better communication and collaboration in tackling theft related to cannabis cultivation. We consider that such a holistic approach could offset

¹ The DCUSA is the Distribution Connection and Use of System Agreement, which is a multi-party contract between the licensed electricity distributors, suppliers and generators of Great Britain

² The DCP054 Decision letter is available on our website at:
<https://www.ofgem.gov.uk/ofgem-publications/83406/dcp054authoritydecisionletter.pdf>

³ The DCP191 Decision letter is available on our website at:
<https://www.ofgem.gov.uk/ofgem-publications/84955/dcp191d4.pdf>



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some of the costs energy companies incur for investigating and detecting this type of theft. Intelligence work with the police would help suppliers and DNOs better target theft and to take prompt action upon detection.

Industry initiatives to support theft detection and prevention

1.21. We note the work of the United Kingdom Revenue Protection Association (UKRPA), an independently chaired Trade Association dedicated to the development and sharing of best practice with respect to pan-utility theft issues and initiatives. The Association promotes initiatives between the energy industry and other interested parties and hosted its first annual seminar on energy theft in October 2013. Its work has resulted in developing established links with the police, Government, Ofgem and Social Landlords.

1.22. UKRPA runs a 24-hour web-based theft reporting helpline, produces newsletters, and in 2013 developed a knowledge sharing protocol with the Liverpool Housing Trust to improve theft detection and deterrence, to increase employee and tenant safety. The pilot will be rolled out to other Social Landlords during 2014.

Outstanding issues

Unregistered sites

1.23. The industry has been seeking to clarify what arrangements should exist to deal with theft from sites that are not registered with a supplier ie unregistered sites. The key issue is whether it is the supplier or the DNO that should register the site.

1.24. In early 2013 a DCUSA party asked the DCUSA Standing Issues Group (SIG) to consider efficient arrangements for making sure suppliers register unregistered sites. As this work progressed, parties developed a list of potential scenarios where illegal electricity consumption may take place at unregistered sites. For each scenario, the Work Group has identified the party responsible for dealing with the illegal abstraction. One difficulty concerns actions DNOs should taken when they detect theft that is not the responsibility of a supplier. This may be the case of electricity illegally taken from the network, but also of theft occurring at sites where no meter is installed.

1.25. We are working with the SIG Working Group to develop enduring arrangements to address this issue. Gas shippers and transporters faced a similar issue in the gas sector. To address this issue, we approved UNC410 in August 2013. This aimed at reducing the number of unregistered sites by clarifying who is liable for the cost of gas abstracted from the network. Under these arrangements, responsibility was placed with the party that controls the creation and use of the meter point reference number. We will seek, where possible, to make our solution for the electricity sector consistent with the approach taken in the gas sector, although we will consider different governance arrangements.

2. Enhancing obligations on suppliers

Chapter summary

This chapter sets out our amended proposals for an electricity supply SLC on tackling electricity theft. It includes analysis of the responses to our July 2013 consultation and describes our final proposals.

Question 1: Do you agree with the drafting of our licence condition on:

- a) the objective for tackling theft of electricity
- b) the Theft Arrangement
- c) our proposed standards for theft investigation?

2.1. Electricity suppliers are required, by their licences, to detect and prevent theft. However, current licence conditions do not provide clarity over how suppliers are expected to meet this obligation in an effective manner. In our July 2013 consultation, we proposed to remedy this by introducing a new SLC. That document included a draft of the SLC. We attempted to make sure this was consistent with the recently introduced gas theft SLC 12A.

2.2. In this chapter we describe our original proposals, discuss the views of the respondents to our consultation and set out our final proposals. We are consulting on the proposed modification to the electricity supply licence. A statutory consultation is attached in Appendix 2.

2.3. Most respondents to our consultation agreed with the policy intent and supported our proposals. Some commented on specific sections of the draft licence. We have included the key points in our discussion below and provide a detailed summary in chapter 2 of the updated impact assessment.

Proposed licence condition on electricity suppliers to tackle theft

2.4. Our SLC for electricity suppliers proposed in the July 2013 consultation included the following components:

- an overarching objective
- detailed requirements to detect, prevent and investigate theft
- a requirement to introduce a “Theft Arrangement” as directed by the Authority
- specific measures on the standards for theft investigations
- new definitions.



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Objective

2.5. In our July consultation, we proposed that the new condition should ensure suppliers and their representatives investigate, detect and prevent electricity theft in a fair and transparent manner. They should also consider the vulnerability of the consumers at premises where theft is found.

2.6. In our draft licence, we proposed that suppliers assess vulnerability, taking into account situations such as - "but not limited to"- customers who are of pensionable age, or who have a disability or chronic illness.

Detailed requirements

2.7. We do not set the actions suppliers should take. However, in our draft licence we proposed that suppliers and their representatives establish whether there are reasonable grounds to suspect theft and take all reasonable steps to detect and prevent it.

The Theft Arrangement

2.8. In our July consultation we proposed a requirement on Licensees to become a party to and comply with the arrangements as set out in a direction by the Authority (the 'Theft Arrangement'). We proposed that Licensees should take all reasonable steps, including working together with other Licensees, to implement the Theft Arrangement by a date stated in the direction.

Standards for theft investigation

2.9. In our July consultation we proposed standards that the licensees must adhere to when investigating a suspected theft of electricity and acting once one has been identified. These standards included identifying whether the domestic customer or an occupant at the premises is vulnerable and taking all reasonable steps not to disconnect them during winter. We also proposed that suppliers should offer alternative ways of letting customers pay the charges associated with any theft. This would apply to vulnerable customers and those who have difficulty paying. As a minimum, we expect suppliers to offer consumers the opportunity to pay using a PPM before disconnection.

Respondents' views

2.10. The vast majority of respondents agreed with our proposal to introduce a new electricity supply SLC. They also agreed with the policy intent and the objective set out in the draft. They noted that clearer obligations would facilitate the achievement of higher rates of theft detection by providing standards that all Licensees would be required to comply with. Most of the comments focused on two areas. These are discussed below.



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Treatment of customers in vulnerable situations

2.11. Several respondents expressed concerns regarding the definition of 'vulnerability' applied to circumstances where electricity theft has taken place. They noted that the proposed definition does not align with the definition contained in the Gas Theft SLC 12A. This is because, in the proposed electricity supply licence condition, we included the terms "not limited to" when defining vulnerability.

2.12. Respondents noted the risk that these terms could create further uncertainty with respect to the way suppliers would assess whether a customer is vulnerable or not. While acknowledging our Consumer Vulnerability Strategy⁴, respondents argued that the broader definition of vulnerability proposed in the strategy may not be appropriate in case of electricity theft. This is because vulnerability in cases of theft should be considered by looking at the impact of a disconnection from electricity supply, rather than considering the challenges faced by an electricity consumer in engaging with energy markets.

2.13. We agree with the view that, in cases of electricity theft, vulnerability should be assessed in the context of the potential implications of being disconnected from electricity supply. This is the approach set out in our Consumer Vulnerability Strategy. We also agree that the new electricity theft SLC should be aligned as much as possible with the gas theft SLC 12A.

Standards for theft investigations

2.14. Some respondents noted that the SLC, while providing standards, should give suppliers flexibility over the best way to discharge their obligations. This is because suppliers may need to adapt their approaches to ensure theft is effectively tackled by, for example, upgrading to better technologies.

2.15. This is particularly important in the light of the smart metering roll out. While we expect an increased level of theft detection as result of suppliers visiting more properties to install smart meters, there is also the risk that new, more sophisticated methods to steal electricity are developed.

2.16. We agree that a key element for effective electricity theft detection is the capacity to adapt to changes in theft practices. The proposed Electricity Theft SLC would not prescribe the use of specific technologies to detect theft, but will require Licensees to adhere to set standards.

⁴ The new Vulnerability Strategy is available on our website at the following address:
<https://www.ofgem.gov.uk/ofgem-publications/75550/consumer-vulnerability-strategy.pdf>

Final proposals

2.17. Our final proposals on the new electricity theft SLC take into consideration respondents' preference for an electricity theft SLC consistent with that recently introduced to address gas theft ie SLC 12A. We note respondents' concerns that the draft electricity theft SLC included a broader definition of vulnerability than the equivalent gas SLC and that the proposed definition may create unnecessary uncertainty. Having taken a risk based approach to assessing vulnerability we consider that consumers that are of pensionable age, disabled, or chronically sick may be at risk of suffering more substantial detriment than other customers if disconnected for debt. We have therefore amended the draft deleting the terms "not limited to". The definition and wording now reflects the gas theft SLC 12A.

2.18. We have also amended para 12A.11 and deleted reference to para 12A.4. This is because provisions in para 12A.11 should apply only at premises supplied by a Licensee and para 12A.4 deals with premises not supplied by a Licensee. We have not made any further changes to the draft electricity SLC.

Timing of implementation

2.19. In our July 2013 consultation we proposed that the new SLC should be implemented as soon as reasonably practical and suggested introducing it in Q1 2014.

Respondents' views

2.20. Respondents supported our proposal to introduce the new SLC quickly. However, some have suggested introducing the new electricity supply SLC after parties had the chance to monitor the effectiveness of the new gas supply SLC and the gas theft arrangement.

2.21. The majority of respondents also stressed the importance of coordinated implementation of the new electricity supply SLC and of the TRAS, especially if a dual-fuel service provider was to be implemented.

Final proposals

2.22. While electricity suppliers already have licence obligations to detect and prevent theft⁵, implementing our proposed electricity theft detection measures may take time. For this reason, we consider it appropriate to enhance the existing obligations and implementing new obligations as soon as possible.

⁵ See SLC 12 "Matters relating to Electricity Meters"



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2.23. Subject to any representations made during this statutory consultation, we propose to implement the new electricity supply SLC, including the revisions noted in this chapter, as soon as possible.

2.24. Appendix 2 contains a statutory consultation. This document, and in particular this chapter and Appendix 2, constitute a notice consulting on a modification to the Electricity Supply Licence. Subject to any representations, we will then publish a decision notice to proceed with the modification. The modification will come into effect at the end of 56 days from the date of the decision notice. An application to the Competition Commission for permission to appeal must be made within 20 working days from the day after the date of the decision notice.

3. Policy measures to improve prevention, investigation and detection

Chapter summary

This chapter sets out our final proposals on policy measures to improve electricity theft prevention, investigation and detection. These include establishing a dual-fuel TRAS and setting principles for an incentive scheme that, if implemented through industry modification process, could further support suppliers in tackling theft.

Question 2: Do you agree with our proposal to direct the implementation of the Electricity TRAS?

Question 3: Do you agree with our proposed requirements for the Electricity TRAS and the related drafting of the proposed direction?

Question 4: Do you agree that we should require the TRAS to be *implemented* by 31 March 2015?

3.1. In the July 2013 consultation we highlighted that existing statutory duties, licence conditions and industry code requirements were insufficient to ensure that electricity suppliers undertake adequate activity to detect and deter electricity theft. In the document we noted that a lack of a sufficient incentive on suppliers hinders the potential for an increased level of theft detection. In particular we noted:

- The pass-through of undetected theft – where theft goes undetected, the costs of the stolen electricity (eg generation and distribution costs) are spread across all suppliers in the industry and are likely to be directly passed on to consumers. For as long as the illegal consumption remains undetected, the supplier would face no direct charges or costs in connection with the volumes of electricity abstracted at registered sites.
- The exposure to settlement charges when theft is detected – upon detection suppliers are expected to enter a reasonably accurate estimate of the volume of units that have been stolen into settlement, at which point they become liable for the costs of electricity generation, network and balancing charges in relation to those units. In most cases, theft detection represents a pure cost to suppliers because there is little chance of recovering enough money to pay for all these charges.

3.2. In order to ensure suppliers tackle theft we have developed proposals that seek to address the two disincentives summarised above. This is the same approach we applied in reforming the gas theft regulatory framework. In addition to strengthening the obligations contained in the electricity supply licence we have developed a set of policy measures to further support suppliers in tackling theft. They include establishing a TRAS and setting principles for an incentive scheme.

Improving Incentives

3.3. In our July 2013 consultation we set out the principles of potential schemes to enhance suppliers' incentives to tackle theft. We noted that it would be for industry parties to progress work and decide to propose one or a combination of these (or other) measures through industry code modification governance.

3.4. We discussed three incentive schemes and one additional policy measure:

- A detection-based incentive scheme (£/detection) – this scheme would offer suppliers an incentive payment for each confirmed case of theft detected.
- A settlement volume-based incentive scheme (p/KWh detected) – this scheme would offer suppliers an incentive payment for each unit of electricity entered into settlement following a confirmed case of theft detected.
- A settlement cost sharing mechanism – this scheme would allow each supplier to share, with all suppliers, part of the charges it will incur when entering “theft units” into settlement.
- Enhanced audit and performance assurance of settlement arrangements – this would be a self-standing policy measure that addresses previously identified problems with the settlement system and is not necessarily conditional on other theft-related incentive measures being implemented.

3.5. In the consultation we also envisaged the possibility of placing a cap on the detection-based and volume-based incentive schemes. This is to limit the potential liability of individual suppliers to fund the incentives that would be paid under these schemes.

Respondents' views

3.6. Most respondents agreed that we have correctly identified the disincentives suppliers currently face to increase theft detection and that enhanced policy measures have the potential to address the incentive problem set out in the consultation document.

3.7. The vast majority of respondents confirmed the need to implement enhanced audit and performance assurance of settlement arrangements to ensure parties consistently follow prescribed procedures to record estimated stolen units into settlement in a clear and auditable way. Many respondents note that greater benefits would be achieved if the costs of operating such arrangements were kept at a minimum.

3.8. However, there was no consensus about what alternative incentive mechanisms would be best for consumers:



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- Three respondents favoured a detection-based incentive scheme. They argued that this scheme would best reflect the costs suppliers would incur to investigate and detect theft. They also noted it would minimise the risk of suppliers overestimating stolen units to get a larger reward.
- Three respondents favoured a volume-based incentive scheme. They thought such a scheme would encourage detection of larger volumes of theft than a detection-based scheme. These respondents also argued that this scheme would avoid suppliers targeting low-value and short-running theft.
- Most respondents have highlighted the importance of ensuring estimated stolen units are entered into settlement. They favour a mechanism whereby some or all the costs of entering units into settlement are shared among suppliers.

3.9. Most respondents supported the inclusion of a cap would be useful because it would limit the cost of these schemes and thus limit the costs that would be passed through to consumers. Some respondents, however, noted the risk that a capped scheme could limit the potential for larger benefits. They argued that suppliers would detect theft only when they could get a reward, and therefore would not try to detect theft above the cap.

3.10. Two respondents noted the risk that the proposed incentive schemes could be detrimental for suppliers serving non-domestic customers. They set out the view that, should suppliers need to fund the incentive scheme based on their market shares, these suppliers could end up contributing proportionally more to the scheme. This is because, they argue, most theft happens at domestic premises. We note this view and consider that this risk could be addressed by setting different targets (and therefore different incentive pots) for the domestic and non-domestic sectors. This option, however, should be assessed against the most up-to-date information on the incidence of theft in both sectors. We note that any incentive scheme would be progressed through industry code modification governance and therefore it would be up to the parties to develop an incentive scheme that fully addresses this issue while delivering the greatest benefit to consumers.

Our views

3.11. Clear audit and enhanced performance assurance arrangements are top priorities to ensure any incentive scheme is effective in tackling theft. We agree with those respondents who noted that implementation of any incentive scheme should be considered together with proposals to develop better audit and performance assurance arrangements.

3.12. We also agree with those respondents who noted the importance of ensuring that estimated stolen units are correctly entered into settlement in order to enhance the benefits of theft detection. We therefore confirm our support for incentive measures that include provisions to capture estimated stolen units within settlement arrangements.



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3.13. We note that this could be achieved by implementing measures to share part of the costs among suppliers. Some respondents suggested that a scheme where suppliers share 100 per cent of the costs to enter estimated stolen units into settlement could be the most effective for reducing current suppliers' disincentives. We only partially agree with this view. While we note that a 100 per cent cost sharing would reduce all disincentives suppliers currently have to enter estimated stolen units into settlement, our view is that this would provide very little incentive for suppliers to take action to prevent theft from happening. This is because they would bear no direct financial risk of not acting to prevent theft.

3.14. We consider that a scheme where suppliers would share only a portion of the total costs could be more effective in preventing theft. Suppliers would still be directly liable for some of the charges and they would have an incentive to minimise these costs by taking action to prevent theft. In our impact assessment we considered the impact of a mechanism that envisages 80 per cent cost-sharing. We used the same assumption in our final impact assessment. Should industry consider developing proposals to introduce a cost-sharing mechanism, we will consider the effectiveness of such proposals in both detecting and preventing electricity theft.

3.15. With respect to the detection-based and volume-based incentive schemes, we have considered the benefits and the risks of the two incentive schemes. We note the risk that a volume-based incentive scheme provides an incentive to suppliers to overestimate the volume of electricity stolen in order to get a larger reward. Compared to the risks of a detection-based scheme (ie risk of incentivising low value and short running theft), we consider this risk to be potentially more harmful to consumers by distorting incentives. It would also be more difficult to prove that a supplier has intentionally overestimated the volume of electricity theft and to take appropriate action.

3.16. In light of these considerations, we conclude that a detection-based incentive scheme has the potential to deliver the greatest benefits to consumers while limiting potential risks or unintended consequences. For the benefit of doubt, we are not directing the implementation of a detection-based incentive scheme and we will assess any proposals industry may develop should parties decide to progress work on this area.

3.17. We then considered respondents' views on whether the incentive scheme should be capped or not. We agree that a cap would help limit the costs of the scheme and would better protect the interests of consumers.

3.18. We have updated the impact assessment to reflect respondents' views and our conclusions. The final version focuses on the impact on industry and consumers of a capped detection-based incentive scheme coupled with a cost-sharing mechanism. The accompanying final impact assessment presents the updated assumptions and sets out the results of the updated impact assessment. The following section provides a summary of the principles that we consider should be applied to implement an effective incentive scheme.

Principles for an incentive scheme

3.19. We consider that the following high level principles should be considered should the industry progress work on implementing an incentive scheme that includes cost-sharing and detection-based components:

- Schemes should incorporate clear and consistent rules for determining eligibility for the cost sharing or detection-based incentive schemes. For the cost sharing scheme, qualifying criteria for eligible units of electricity must be set out. For the detection incentive, there must be a clear definition of theft. In both cases a clear line must be drawn between instances where consumption was not recorded due to theft and instances where consumption was not recorded due to other reasons (eg meter reading or processing errors).
- Under any scheme, all volumes of electricity associated with detected cases of theft should pass through the settlement system, and must be recorded against the relevant supplier's consumption account. Suppliers can only be eligible for settlement cost sharing or incentive benefits to the extent that volumes of electricity following detection of theft are entered into settlement.
- To enable the administration, monitoring and reporting of a cost sharing or incentive scheme, the scheme should allow qualifying volumes of electricity (ie volumes associated with theft) to be separately identified by supplier, Grid Supply Point group, customer type (NHH profile class or HH metered) and settlement period (for example, similar to the end to end tracking proposed in the Issue 39 report⁶). The scheme should allow NHH and HH theft volumes to be reported separately.
- The recording and processing of units associated with detected theft should fall within the scope of the BSC Audit.
- Any changes to the Data Transfer Catalogue (DTC) that are required to ensure the smooth functioning of the new arrangement should be raised at the same time.
- The schemes should be accompanied by transparent and auditable reporting arrangements designed to allow the scheme administrator to audit claims and monitor supplier performance.

3.20. We do not consider it is necessary to couple the introduction of an incentive scheme and settlement cost sharing arrangements with the implementation of the TRAS. Given the previous work to develop a similar set of proposals for the gas incentive scheme and the supporting analysis we have provided in our draft and final impact assessment, we consider that such a scheme could be in place by beginning of 2015.

⁶ See Report on Elexon's website:
http://www.elexon.co.uk/wp-content/uploads/2012/02/standing_issue_39_report_v1.0.pdf

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3.21. We would welcome efforts by the industry to swiftly raise a modification proposal to give effect to an incentive scheme and cost sharing arrangements that are in line with the high level principles set out earlier in this document. We will support the development of that proposal, for example through access to our non-confidential modelling, wherever possible.

3.22. Given the importance of ensuring that reasonably accurate estimates of stolen units are entered into settlement to minimise the harm caused by theft to bill-paying customers, we will closely monitor progress in the development of these schemes.

Assessing Theft Risk

3.23. In the July 2013 consultation we set out our proposal to establish a TRAS. The service would support suppliers by profiling the risk of electricity theft, and potentially other sources of electricity theft. We noted our intention to align the services provided by the electricity TRAS with those envisaged for the gas TRAS.⁷

3.24. We also envisaged that the TRAS would require suppliers to submit their policies for tackling theft and report their performance in achieving the objectives set out in those policies. Depending on the incentive scheme, the TRAS may also be responsible for administering such a scheme, including (if necessary) setting the theft target to establish the size of the incentive pot.

3.25. In the consultation document we noted that suppliers would be expected to investigate all cases provided to it by the TRAS unless there were good reasons for not doing so. We also highlighted the importance of a robust audit and performance assurance framework which the TRAS would be subject to in order to ensure high-quality output and transparent reporting on its performance.

Respondents' views

3.26. Most respondents agreed with our view that the TRAS would facilitate theft investigation and detection and support the establishment of this service to help tackle electricity theft.

3.27. Half of the respondents noted that a dual-fuel TRAS that would provide services to both gas and electricity suppliers could be more efficient and effective in tackling theft. This is because, in many cases, theft of both fuels is likely to occur at the same site. Whilst agreeing in principle, other respondents suggested that implementation of the electricity TRAS should be delayed until after the gas TRAS

⁷ We directed the implementation of a gas TRAS in March 2013, further information are available on the our website:
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=149&refer=Markets/RetMkts/Compl/Theft>



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has been implemented and its performance assessed to ensure lessons learnt are taken into consideration when implementing the service in the electricity sector.

3.28. Two respondents stated that the assumptions over the cost of implementing and operating the TRAS have been set too low and suggested that we reconsider the assumptions used in the draft impact assessment. We do not have evidence to validate this view, but acknowledge that an electricity TRAS may be required to collect and analyse larger and more complex amounts of data compared to the gas TRAS. We have therefore updated the IA to reflect the cost estimates suggested by respondents.

3.29. One respondent noted the need to avoid duplication of data required by the TRAS and the Data and Communication Company (DCC) that may lead to inefficiencies. We agree with this view, however given the early stages of the implementation of both the TRAS and DCC, we are not able to take a view on whether duplications could indeed occur and encourage industry parties to progress work to assess ways to minimise this risk.

3.30. Some respondents expressed concern with respect to the requirement for suppliers to investigate all cases provided by the TRAS. These respondents argued that this may not be economically viable and that a decision on whether to investigate or not should ultimately depend on the resources each suppliers allocated to tackling theft. We agree with the view that it may not be economically efficient for a suppliers to investigate all cases provided by the TRAS. However, the benefits of theft detection go beyond the immediate financial impact on the supplier. For example, detections could have a deterrent effect that can bring longer term benefits for customers. For this reason, in our consultation we specified that this should be done *unless there were good reasons for not doing so*. For example, suppliers may decide to carry out a desk-based risk assessment for all cases, and only investigate those cases that meet certain criteria.

Final proposals

3.31. We confirm our view that an electricity TRAS could provide a valuable service to suppliers and help them target theft investigations more effectively, thus increasing theft detection rates to the benefit of honest consumers.

3.32. We intend to direct the implementation of an electricity TRAS as soon as practically possible after introducing the new licence condition. This document consults on our draft direction to introduce the TRAS, it can be found in Appendix 3.

3.33. We agree with the view expressed by some respondents that a dual-fuel TRAS has the potential to provide better and more efficient services to both gas and electricity suppliers. Due to economies of scale, implementation and administration costs could also be lower than that if the same services were provided by two separate providers.



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3.34. However, we were concerned that the earlier prescribed timetable for the development of the gas TRAS may preclude a joint solution, or be detrimental to the procurement process for a subsequent electricity TRAS service. We issued a Gas TRAS direction in January 2013 stating that a gas TRAS must commence by 31 March 2014, or such other date as the Authority may direct. Since that time work has been progressing under a Supply Point Administration Agreement (SPAA) workgroup.

3.35. We therefore wrote to the Executive Committee (SPAA EC) in September 2013 inviting its view on whether it would consider pursuing the gas TRAS procurement to a different timetable if the March 2014 deadline was waived, potentially allowing for the integration of electricity. The SPAA confirmed its acceptance of the TRAS working group's recommendation to pursue a dual fuel TRAS option. A proposed timetable for the joint procurement was appended to the letter.

3.36. Having received confirmation from the SPAA EC we wrote to the DCUSA Panel notifying it of our intention to proceed with our proposal to introduce TRAS requirements on electricity suppliers and of the emerging consensus that this be a dual fuel solution.

3.37. We met with SPAA EC and DCUSA EC in early January 2014 and various preliminary steps were identified which would be required to facilitate a joint TRAS procurement. Since that time, a revised project plan and budget has been approved by the SPAA EC and a facilitating change proposal⁸ has been raised to the DCUSA.

3.38. One of the issues discussed in the January meeting was around timing. Whilst our January 2013 direction envisaged that a gas TRAS would commence provision of services by 31 March 2014, the aspiration would now be to have a contract with a chosen service provider signed by this date, though there would be an as yet unknown lead time before that service provider was ready to commence. Responses to the SPAA working group's Request for Information (RFI) suggested that this subsequent period could be between 3 and 6 months.

3.39. Although a dual fuel working group will be expected to adopt much of the work that has already been completed by the SPAA working group, concerns were raised at the January meeting that suppliers may not be able to meet our preferred commencement date of Spring 2015.

3.40. We acknowledge these concerns and therefore welcome the action taken by the group to provide us with a detailed project plan. As part of that plan we would expect to see that all practicable measures have been taken to expedite the project timetable in the period up to and including the award of a dual fuel TRAS contract. Subject to this, we will have regard to the project plan when determining any

⁸ DCP201



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deadline date to be included in the direction to electricity supply Licensees and any revision to that previously issued to gas Licensees.

3.41. We also consider that the period following the contract being awarded may be influenced by Licensees. For instance, we would reasonably expect the bidders' relative readiness to commence provision of the service to form part of the selection criteria. We would also note that whilst the commencement of the TRAS service should provide a powerful tool in tackling energy theft, it does not preclude all reasonable steps being taken to do so in the meantime.

3.42. Given the above, it currently remains our intention to issue a direction requiring licensees to have a dual fuel TRAS in place by Spring 2015. However, we will give further consideration to whether this direction should refer to the award of the contract rather than commencement of the service. We will also retain the option of withholding direction of a date, as necessary, until a later stage of the project. The draft of the TRAS Direction can be found in Appendix 3.

3.43. We note that the dual-fuel TRAS would need to operate in accordance with the Data Protection Act (DPA) 1998 and encourage parties to ensure that provisions for gathering, holding and processing data by the service provider do not contravene the regulations set out in the DPA.

3.44. We confirm our view that, at least initially, the TRAS should be suppliers-focused. We do not preclude, however, the possibility for third parties, including DNOs to join the TRAS in the future on a voluntary basis. This decision would ultimately be made under the TRAS governance process.

4. Promoting effective coordination and establishing principles for DNOs

Chapter summary

In this chapter we set out our approach to creating new regulatory arrangements for DNOs to support and regulate their activities with respect to the investigation, detection and prevention of electricity theft in conveyance and in relation to some unregistered sites.

4.1. In the past, DNOs have played a role in detecting electricity theft in their Distribution Service Areas (DSAs), and many DNOs have devoted considerable resources to addressing theft. DNOs can support suppliers in their efforts to tackle theft and they are also under a Distribution Licence obligation (SLC27) to promptly inform the relevant supplier (if any) if they become aware of a suspected case of meter tampering.

4.2. Changes to the distribution price control incentive to reduce electricity losses on the Distribution System could weaken the incentive for DNOs to address electricity theft. In the RIIO-ED1 distribution price control (April 2015 to March 2023) DNOs will have a licence obligation to keep losses as low as reasonably practicable. Although at a draft stage, this obligation would include actions to be taken to reduce losses due to theft. We recently consulted on the licence obligations as part of the RIIO-ED1 licence drafting consultation process. The consultation closed on 7 February 2014.

4.3. DNOs also have obligations to tackle electricity theft under the DCUSA. These obligations are supported by the recently adopted Revenue Protection CoP for theft investigations. DCUSA parties are working to more clearly define the rights and responsibilities of DNOs and suppliers in different theft scenarios.

4.4. Some DNOs also provide revenue protection (RP) services to suppliers on a commercial basis. Suppliers can choose whether to use services provided by DNOs or by other parties, or to carry out RP activities in-house. The extent to which suppliers use the services of DNOs depends on commercial considerations of the most efficient way to tackle theft.

4.5. In our July 2013 consultation we set out key principles for DNOs as part of the RIIO-ED1 price control. These principles will form the basis of our development of theft arrangements for DNOs. They are:

- A general licence obligation for DNOs to design and operate their networks to ensure that electricity losses are as low as reasonably practicable. This should encourage DNOs to take necessary action to identify and resolve theft. Any actions should be based on a positive cost benefit analysis.

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- DNOs' licence obligations will clarify the requirements for DNOs to tackle theft. These would include taking the necessary actions when no supplier is responsible for the site (including some cases of unregistered sites). We will consider the scope for costs associated with theft detection and resolution to be recovered through existing mechanisms, and ensure that the approach is aligned with the arrangements for gas transporters⁹.
- The general licence obligations should, as far as possible, support pending changes to the DCUSA with regard to theft in conveyance and registration of unregistered sites. Reporting and auditing requirements should apply for DNOs to record and verify all actions (and related costs) they would undertake to identify and resolve theft.
- Any actions by DNOs should be in accordance with any approved strategy to tackle theft. This should be reviewed from time to time to ensure that a proportionate approach is being taken.

Respondents' views

4.6. The July 2013 consultation requested input on:

- whether respondents thought DNOs should be excluded from an industry wide incentive scheme at present
- whether DNOs should have licence obligations to tackle theft in conveyance
- whether there were any alternative proposals to consider.

4.7. Eighteen respondents expressed views on this subject. Of those, thirteen respondents agreed that DNOs should not be included in a supplier focussed incentive scheme at the present time. Many also noted the important role that DNOs play in identifying instances of theft and the need for some incentive for DNOs to take appropriate action, and suggested that DNO participation in an incentive scheme could be considered in due course.

4.8. Five respondents questioned how a significant portion of electricity theft in conveyance would be effectively tackled in the absence of incentives on DNOs. They also highlighted that the existing incentives on DNOs were weak and emphasised the need for a collaborative approach from all industry stakeholders.

4.9. The majority of respondents supported licence obligations for DNOs to tackle theft in conveyance and some noted that these obligations should extend to

⁹ This aspect has been highlighted through the RIIO-ED1 licence drafting process, and will link to the expected consultation on the financial treatment of income from gas theft recovery for Gas Distribution Network Operators.

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unregistered sites where no supplier could be identified. A number mentioned issues arising from the RIIO-ED1 draft licence conditions on theft¹⁰.

4.10. A number of respondents noted that ongoing industry initiatives, particularly regarding unregistered sites, could help address some of the uncertainties over roles and responsibilities of parties¹¹. Some also welcome any initiatives that would reduce the number of units subject to GSP Group Correction¹² under the BSC.

4.11. Many respondents expressed opinions on the proportionality of the costs DNOs will incur, and the associated reporting and monitoring requirements. One respondent suggested that these costs should be included in the DNOs' base revenue. Some DNOs also raised concerns regarding the existing funding mechanisms.

Final proposals

4.12. Based on the responses received to the consultation, as well as inputs received during the RIIO-ED1 licence drafting process, we have decided to:

- Exclude DNOs from the proposed incentive scheme at this time and address issues relating to recovery of costs of investigation and detection within the RIIO-ED1 price control.
- Finalise the licence obligation through the RIIO-ED1 licence drafting process, taking into account stakeholder inputs to the July 2013 consultation and to the ongoing consultation on the proposed RIIO-ED1 licence. This will include any inputs on the definition of 'Relevant Theft of Electricity' from the Distribution System (as opposed to only from theft in conveyance)¹³.
- Finalise a charge restriction condition ('CRC5F')¹⁴ as part of the RIIO-ED1 licence drafting process. This condition, still to be consulted on, will propose a mechanism through which income arising from any actions taken by DNOs to recover monies in respect of 'relevant theft of electricity' from the distribution system is included in financial reporting.


¹⁰ The RIIO-ED1 licence drafting process is ongoing, and the draft conditions referred to in any stakeholders' responses are not the latest versions. Since the time the Electricity Theft consultation closed, there have been a number of revisions based on stakeholder interactions.

¹¹ For example, DCUSA DIF028 which addresses possible mechanisms for getting unregistered customers, identified through RP activities, registered by a supplier

¹² The GSP Group Correction is part of the Supplier Volume Allocation process under the BSC. It spreads 'unaccounted for' units across all suppliers. Further information can be obtained at https://www.google.com/url?q=http://www.elexon.co.uk/wp-content/uploads/2013/11/gsp_group_correction_v3.0_cgi.pdf&sa=U&ei=Ow7pUq2vKeuBywOZ4oLwAq&ved=0CAcQFjAB&client=internal-uds-cse&usq=AFQjCNENOJluoDyZEo9_eL-nGXqOo0ibKQ

¹³ The draft conditions and definitions have been published for comment at <https://www.ofgem.gov.uk/publications-and-updates/riio-ed1-informal-consultation-fast-track-licence-drafting-%E2%80%93-standard-licence-conditions>

¹⁴ This draft condition sets out the mechanism for DNOs to report on any income received from managing 'Relevant Theft of Electricity'.



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- Continue to work with stakeholders to find solutions to theft related issues, such as the process for getting unregistered customers registered by a supplier
- Consult on our proposals to align the mechanism for the treatment of income from theft detection for Gas Distribution Network (GDNs) with that proposed for DNOs.

5. Conclusions and next steps

Chapter summary

This chapter sets out how we will implement our proposed measures, including our expected timeline. This includes milestones for current work in other areas related to gas and electricity theft.

5.1. Having considered respondents' views, we have established what measures we think will be effective at dealing with electricity theft. These are:

- a new licence obligation on electricity suppliers to tackle electricity theft
- a direction (provided by the proposed new SLC) to electricity suppliers to implement the proposed TRAS
- principles for an incentive scheme for electricity suppliers to encourage theft detection and prevention.

Electricity supply SLC on tackling electricity theft

5.2. In this document we consult on changes to the electricity supply licence (Appendix 2). We are seeking responses on this statutory consultation by 2 April 2014. Subject to views received, we intend to publish a statutory notice in May 2014 introducing the new licence condition. Our aim is that the licence condition should be in place by summer 2014.

Direction

5.3. This document consults on our draft direction to introduce the TRAS. Responses on this direction are also requested by 2 April 2014. Currently, we would prefer to implement the direction at the same time as the new licence condition. The exact date of implementation of the direction would depend on responses to the consultation. For this reason, in the draft direction (Para 5) in Appendix 3 we have not included dates, but left squared brackets, ie [X 2014].

5.4. The industry is establishing a dual-fuel TRAS. We encourage parties to make plans to set up the service provider as soon as possible and by no later than 31 March 2015.

Incentive scheme

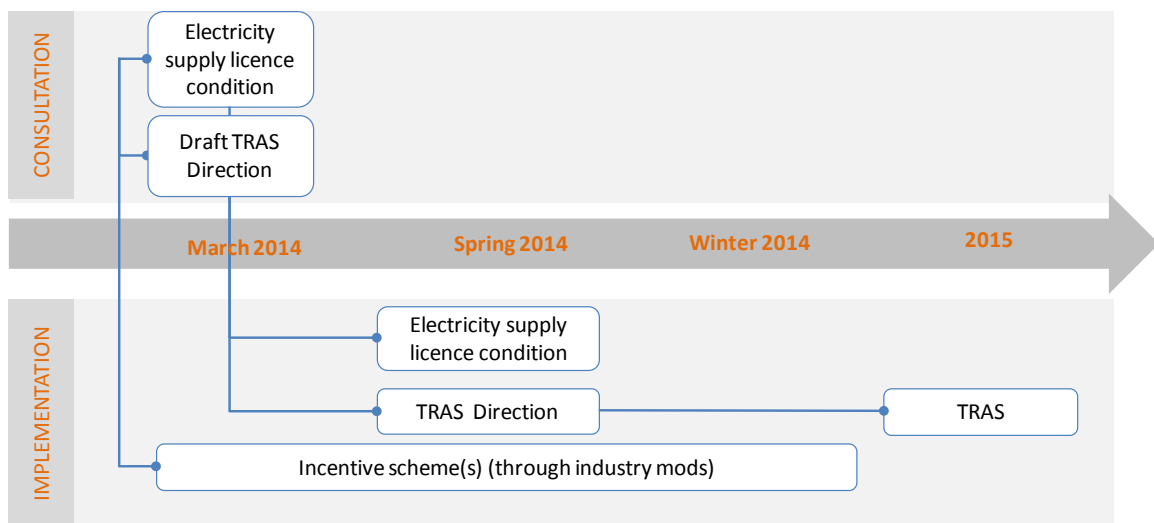
5.5. We do not consider it is necessary to couple the introduction of the incentive scheme and settlement cost sharing arrangements with the implementation of the TRAS. Given the previous work to develop a similar set of proposals for the gas incentive scheme and the supporting analysis we have provided in our draft and final impact assessments, we consider that such a scheme could be in place by beginning of 2015.

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5.6. We would welcome industry efforts to swiftly raise a modification proposal to give effect to the incentive scheme and cost sharing arrangements. We will support the development of that proposal, for example through access to our non-confidential modelling, wherever possible.

5.7. Given the importance of ensuring that reasonably accurate estimates of stolen units are entered into settlement to minimise the harm caused by theft to bill-paying customers, we will closely monitor progress in the development of these schemes. A summary of our proposed timeline is set out in Figure 2 below.

Figure 2 - Summary of the proposed implementation timeline



Appendices

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Appendix 1 - Consultation Response and Questions

1.1. We would like to hear your views on any of the issues in this document.

1.2. We would especially welcome responses to the specific questions at the beginning of each chapter. These are replicated below.

1.3. It would be helpful if responses could be submitted both electronically and in writing. Responses should be received by 2 April 2014 and should be sent to:


Chiara Redaelli
Smarter Markets
9 Millbank
London
020 7901 7196
Email: smartermarkets@ofgem.gov.uk

1.4. Unless marked confidential, all responses will be published in our library and on our website, www.ofgem.gov.uk. You may ask us to keep your response confidential. We will respect this request subject to any obligations to disclose information, for example under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.5. If you want your response to remain confidential you should clearly mark the document to that effect and include the reasons for confidentiality. Please put any confidential material in the appendices to your responses.

1.6. Once we have considered the responses to this consultation, we intend to publish a decision notice about the statutory consultation on changes to the electricity supply licence. We will also publish a decision on our proposed direction to electricity suppliers to introduce a new Theft Arrangement. Any questions about this document should, initially, be directed to:

Chiara Redaelli
Smarter Markets
9 Millbank
London
020 7901 7196
Email: Chiara.redaelli@ofgem.gov.uk



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Chapter two

Question 1: Do you agree with the drafting of our licence condition on:

- a) the objective for tackling theft of electricity
- b) the Theft Arrangement
- c) our proposed standards for theft investigation?

Chapter three

Question 2: Do you agree with our proposal to direct the implementation of the Theft Risk Assessment Service (TRAS)?

Question 3: Do you agree with our proposed requirements for the TRAS and the related drafting of the proposed direction?

Question 4: Do you agree we should require the TRAS to be *implemented* by 31 March 2015?

Appendix 2 – Statutory consultation on amendment to the Electricity Supply Licence

NOTICE UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989

The Gas and Electricity Markets Authority (“the Authority”) hereby gives notice pursuant to section 11A(2) of the Electricity Act 1989 (“the Act”) as follows:

1. The Authority proposes to modify all electricity supply licences granted or treated as granted under section 6(1)(d) of the Act by introducing a new Standard Licence Condition (“SLC”) 12A ‘Matters related to Theft of Electricity’, and amending SLC 1 ‘Definitions for standard conditions’ and SLC 27 ‘Payments, Security Deposits, Disconnections and final Bills’.
2. The reason why the Authority proposes to make this licence modification is to protect consumers’ interests by putting in place proportionate arrangements to require suppliers to proactively tackle electricity theft. Further detail is set out in our document ‘Tackling electricity theft: the way forward’, published on 4 March 2014.
3. The effect of the proposed modification is to ensure that suppliers make reasonable efforts to detect, prevent and investigate theft and protect consumers’ interests in undertaking this activity. It aims to achieve this by:
 - a. including an overarching objective and detailed requirements to detect, prevent and investigate theft
 - b. requiring electricity suppliers to introduce a ‘Theft Arrangement’ as directed by the Authority
 - c. introducing specific standards for theft investigations and for the treatment of customers once theft is detected, and
 - d. introducing supporting definitions to secure compliance with proposed new SLC 12A.
4. Relevant licence holders for the purposes of this Notice are all holders of electricity supply licences.
5. A copy of the proposed modification and other documents referred to in this notice are available (free of charge) from the Ofgem library (telephone 020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk).
6. Any representations to the proposed licence modifications may be made on or before 2 April 2014 to: Chiara Redaelli, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to smartermarkets@ofgem.gov.uk.



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7. All responses will normally be published on Ofgem's website and held in the Research and Information Centre. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.
8. If the Authority decides to make the proposed modification it will take effect not less than 56 days after the decision is published.

.....
**Rob Church, Duly authorised on behalf of the
Gas and Electricity Markets Authority**

4 March 2014

SCHEDULE

Condition 12A. Matters relating to Theft of Electricity

Objective

12A.1 The objective of this licence condition (the “Objective”) is to ensure that:

- (a) the licensee and any Representative individually and/or in cooperation with other licence holders where necessary:
 - (i) detect Theft of Electricity;
 - (ii) investigate suspected Theft of Electricity;
 - (iii) prevent Theft of Electricity once detected;
 - (iv) prevent Theft of Electricity by other means such as deterrence and the security of the supply in respect of any premises supplied by the licensee; and
- (b) when taking the steps mentioned in sub-paragraph 12A.1(a), the licensee and any Representative:
 - (i) behaves and acts towards Customers in a manner which is fair, transparent, not misleading, appropriate and professional; and
 - (ii) takes into account whether Domestic Customers and/or the occupants of Domestic Premises are in a vulnerable situation, such as customers of Pensionable Age, disabled or chronically sick and/or Domestic Customers at Domestic Premises will have difficulty in paying all or part of the Charges for the Supply of Electricity resulting from Theft of Electricity.

12A.2 The licensee must take (and ensure that any Representative takes) all reasonable steps:

- (a) to secure the achievement of the Objective; and

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- (b) to avoid doing anything which jeopardises its ability to achieve the Objective.

12A.3 The steps which the licensee must take (and ensure that any Representative takes) to secure the achievement of the Objective include, without limitation, the steps which are detailed at paragraphs 12A.5 to 12A.15 of this condition, and the obligations set out in Clause 30.9 (Damage or Interference) of the Distribution Connection and Use of System Agreement.

12A.4 In respect of premises not supplied by the licensee, its obligations under paragraphs 12A.1 and 12A.2 are limited to the provision of notification required by Clause 30.9 (Damage or Interference) of the Distribution Connection and Use of System Agreement.

Requirement to detect, prevent and investigate Theft of Electricity

12A.5 In respect of any premises supplied by the licensee, the licensee must take (and ensure that any Representative takes) all reasonable steps to detect and prevent Theft of Electricity.

12A.6 Where, in respect of any premises supplied by the licensee, the licensee has reasonable grounds to suspect Theft of Electricity, it must take (and ensure that any Representative takes) all reasonable steps to investigate that suspected Theft of Electricity.

The Theft Arrangement

12A.7 The licensee must be a party to, comply with, and maintain such arrangement to give effect to the Objective, as the Authority may direct (the "Theft Arrangement").

12A.8 The licensee:

- (a) must take such steps as are necessary and within its reasonable control; and

- (b) must not take any unreasonable steps to prevent or delay,

to ensure that the Theft Arrangement is implemented by such a date as the Authority may direct.

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12A.9 The licensee must take all reasonable steps to secure and implement changes required by the Theft Arrangement and its systems, procedures and processes which are necessary to give full, timely and practical effect to the Theft Arrangement.

12A.10 The licensee must take all reasonable steps to cooperate with other licence holders where necessary, to facilitate the achievement of the Theft Arrangement.

Standards for Theft of Electricity investigations

12A.11 The licensee must ensure (and ensure that any Representative ensures) that the following standards are met when it is taking any of the steps referred to in paragraphs 12A.1, 12A.2, and 12A.3 of this condition at particular premises:

- (a) The licensee must take (and ensure that any Representative takes) all reasonable steps to identify whether
 - (i) the Domestic Customer and/or the occupants of those premises which are Domestic Premises (in this condition “the relevant premises”) is of Pensionable Age, disabled or chronically sick; and/or
 - (ii) a Domestic Customer at the relevant premises will have difficulty in paying all or part of the Charges for the Supply of Electricity resulting from Theft of Electricity;
- (b) The licensee must take (and ensure that any Representative takes) into account the Domestic Customer’s ability to pay all or part of the Charges for the Supply of Electricity resulting from Electricity Theft when calculating instalments, giving due consideration to:
 - (i) relevant information provided by third parties, where it is available to the licensee; and
 - (ii) where instalments will be paid using Prepayment Meter, the value of all of the charges that are to be covered through that meter;
- (c) Where the licensee or any Representative has identified persons of a category described in sub-paragraphs 12A.11(a)(i) and/or (ii), the



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licensee or any Representative must before seeking to Disconnect the relevant premises, as a minimum offer the Domestic Customer to pay those Charges for the Supply of Electricity by using a Prepayment Meter, where it is safe and reasonably practicable in all the circumstances of the case for the Domestic Customer to do so;

- (d) Where the licensee or any Representative knows or has reason to believe that there may be persons of a category described in subparagraph 12A.11(a)(i), the licensee or any Representatives must take all reasonable steps not to Disconnect the supply of electricity to the relevant premises in Winter;
- (e) The licensee must have (and ensure that any Representative has) sufficient evidence to establish (on the balance of probabilities) the Statutory Disconnection Power before stopping the supply of electricity to the premises on grounds of Theft of Electricity;
- (f) Where Theft of Electricity has been established, the licensee must comply with the relevant requirements of the Distribution Connection and Use of System Agreement and the Balancing and Settlement Code in respect of that Theft of Electricity;
- (g) The licensee must have (and ensure that any Representative has) sufficient evidence to establish (on the balance of probabilities) that Theft of Electricity has occurred as a result of that Customer's intentional act or by culpable negligence before requiring payment of all or part of the Charges for the Supply of Electricity relating to that Theft of Electricity; and
- (h) The licensee must provide (and ensure that any Representative provides) in plain and intelligible language, clear, timely and accurate information and advice to the Customer about:
 - (iii) the basis of any assessment made by the licensee (or its Representative) that Theft of Electricity occurred;
 - (iv) the basis for the calculation of any Charges for the Supply of Electricity associated with the Theft of Electricity made to the Customer;

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- (v) what steps the Customer should take if they wish to dispute that Theft of Electricity occurred; and
- (vi) the steps a Customer may take to reinstate supply if the licensee (or its Representative) has exercised the Statutory Disconnection Power.

- 12A.12 The licensee must keep (and ensure that any Representative keeps) a record of its compliance with its obligation under this licence condition.
- 12A.13 The licensee must take all reasonable steps to establish management arrangements that facilitate the licensee's compliance with its obligations under this condition, including, as appropriate, steps to ensure that any Representative, agent and subcontractor of the licensee establish equivalent arrangements.
- 12A.14 The licensee must provide to the Authority, in such manner and at such times as the Authority may reasonably require, such Information as the Authority may require or deem necessary or appropriate to enable the Authority to monitor the licensee's compliance with this condition.
- 12A.15 The licensee is not required to comply with paragraph 12A.14 if it could not be compelled to produce or give the Information in evidence in civil proceedings before a court.

Definitions for Condition

12A.16 In this condition:

Theft of Electricity	includes, but is not limited to; <ul style="list-style-type: none">(a) circumstances described in paragraphs 5(1) (Restoration of connection without consent) and 6(1)(a) (Damage to electrical plant etc) of Schedule 6 to the Electricity Act 1989 in so far as they relate to a electricity supplier;(b) circumstances described in paragraph 6(1)(b) (Damage to electrical plant etc) of Schedule 6 to the Electricity Act 1989; and(c) circumstances described in paragraph 11(1) (Interference with meters) of Schedule 7 to the Electricity Act 1989
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Condition 27. Payments, Security Deposits, Disconnections and final Bills

[Introduce new paragraphs after SLC 27.11B]

27.11C Paragraphs 27.5 to 27.11B shall not apply where the licensee is considering exercising its Statutory Disconnection Power.

Condition 1. Definition for standard conditions

[Insert new definition in SLC 1.2]

Statutory Disconnection Power	means paragraphs 5(3) (Restoration of connection without consent) and 6(3) (Damage to electrical consent etc) of Schedule 6 and paragraph 11(3) (Interference with meters) of Schedule 7 to the Electricity Act 1989
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Appendix 3– Draft Direction to implement the Theft Arrangement

To: All holders of an electricity supply licence

DIRECTION ISSUED BY THE GAS AND ELECTRICITY MARKETS AUTHORITY PURSUANT TO PARAGRAPH 7 OF CONDITION [12A] OF THE STANDARD CONDITIONS OF THE ELECTRICITY SUPPLY LICENCE TO ALL HOLDERS OF AN ELECTRICITY SUPPLY LICENCE GRANTED OR TREATED AS GRANTED UNDER SECTION 6(1)(d) OF THE ELECTRICITY ACT 1989 (the 'Direction')

WHEREAS

1. Each company to whom this Direction is addressed ('the licensee') holds an electricity supply licence granted, or treated as granted, pursuant to section 6(1)(d) of the Electricity Act 1989 in which Standard Condition 12A (Matters relating to Theft of Electricity) ('SLC 12A') has effect ('the licence').
2. The Gas and Electricity Markets Authority ('the Authority') has the power pursuant to paragraph 7 of SLC 12A of the licence to issue a direction to the licensee to be a party to, comply with and maintain an arrangement to give effect to the objective set out in paragraph 1 of SLC 12A (the 'Theft Arrangement').
3. On 4 March 2014, the Authority consulted on the contents of the Direction and has carefully considered the responses to that consultation.

NOW THEREFORE

4. The Authority hereby directs that the licensee must comply with the requirements specified in the Schedule of this Direction.
5. This Direction shall take effect on [X 2014] and shall continue until:
 - (a) revoked or amended by the Authority following a period of consultation with the licensee for not less than 28 days, beginning on the date of notice of the revocation or amendment, or such other period as may be agreed in writing by the Authority and the licensee, during which representations with respect to the proposed revocation or amendment may be made; or
 - (b) [X 2017], on which date the Direction shall cease to have effect,whichever is the earlier.
6. The following documents constitute notice pursuant to section 49A (Reasons for decisions) of the Electricity Act 1989:

- (a) This Direction
- (b) Ofgem (March 2014) "Tackling Electricity theft: the way forward"
- (c) Ofgem (March 2014) "Tackling Electricity theft: Final Impact Assessment"

These documents are available on the Ofgem website: www.ofgem.gov.uk

Dated:

Signed on behalf of the Authority by []

Duly authorised for that purpose by the Authority

SCHEDULE

PART A: PURPOSE OF THIS THEFT ARRANGEMENT

1. The purpose of this Theft Arrangement (the "Purpose") is to ensure that:
 - a. the licensee and any Representative individually and/or in cooperation, where necessary with other Electricity Suppliers develop, maintain and operate a service (the Theft Risk Assessment Service ("TRAS")) in accordance with this Direction to support:
 - (i) detection of Theft of Electricity;
 - (ii) investigation of suspected Theft of Electricity; and
 - (iii) prevention of Theft of Electricity.
2. The licensee must take (and ensure that any Representative takes) all reasonable steps to:
 - a. secure the achievement of the Purpose; and
 - b. avoid doing anything which jeopardises its ability to achieve the Purpose.

PART B: THE TRAS

3. The objective of the TRAS is to develop, maintain and operate a service in a consistent manner across all Electricity Suppliers, such that any Customer that undertakes Theft of Electricity will have a reasonable chance of being detected, regardless of which Electricity Supplier supplies them.
4. The licensee must take all reasonable steps to meet the requirements set out below.
5. The licensee must ensure that the TRAS carries on its activities in a manner that is most likely to facilitate:
 - a. the development, operation and maintenance of an efficient, economical and coordinated Theft Arrangement;
 - b. effective competition between Electricity Suppliers;
 - c. protection of information and security of information and systems; and
 - d. efficient and transparent administration and implementation of the TRAS.
6. The licensee must ensure that the TRAS takes all reasonable steps to:
 - a. secure the achievement of the objective under paragraph 3; and
 - b. avoid doing anything which jeopardises its ability to achieve the objectives under paragraph 3.
7. The licensee must ensure that the TRAS:
 - a. identifies, collects, scrutinises and evaluates Relevant Information to profile the risk of Unrecorded Electricity, and in particular Theft of Electricity, at all individual premises where Electricity is conveyed by a Licensed Distributor;
 - b. provides all Relevant Information in respect of a premises that the Relevant Electricity Supplier may reasonably require to:

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- i. determine which premises to investigate for suspected Theft of Electricity; and
 - ii. facilitate that investigation of Theft of Electricity;
 - c. on notice from the Relevant Electricity Supplier that a person has, or may have, taken a supply of electricity in the course of conveyance, provides all Relevant Information to the Relevant Distributor that the Relevant Distributor may reasonably require to facilitate the Relevant Distributor in fulfilling its obligations under standard licence condition 27 of the Electricity Distribution Licence;
 - d. at the reasonable request of the Relevant Distributor, provides such Relevant Information and services that the Relevant Distributor may reasonably require to support the reduction of electricity taken in the course of conveyance; and
 - e. at the reasonable request of the Relevant Electricity Supplier and/or Relevant Distributor, provides such Relevant Information that the Relevant Electricity Supplier and/or Relevant Distributor may reasonably require to support criminal prosecution.
8. The licensee must ensure that the TRAS provides the Relevant Information described in paragraph 7(b) in a manner that is most likely to facilitate the achievement of the Theft Target.

Theft Target

9. The licensee must ensure that the TRAS establishes and maintains an appropriate target amount of Theft of Electricity to be detected per year (the "Theft Target").
10. The licensee must ensure that the TRAS establishes the Theft Target within one year of the commencement of provision of services set out in paragraph 7 above.
11. The licensee must ensure that the TRAS reviews the Theft Target at least once every two years and that when reviewing the Theft Target, the TRAS takes all reasonable steps to ensure that any revised Theft Target will achieve additional overall benefits for Customers when compared to the existing Theft Target.
12. The licensee must ensure that the TRAS develops and maintains a methodology, having regard to all the information available, to establish the Theft Target (the "Theft Target Methodology").
13. Before establishing the Theft Target Methodology, the licensee must ensure that the TRAS consults:
 - a. the Authority;
 - b. the Consumer Council;
 - c. all Electricity Suppliers;
 - d. all Licensed Distributors; and
 - e. such other person as may be appropriate.
14. The licensee must ensure that the TRAS duly considers any representations which are made and not withdrawn.

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15. The licensees must ensure that a report setting out the Theft Target Methodology is:
 - a. provided by the TRAS to the Authority;
 - b. provided by the TRAS to any person who asks for it; and
 - c. published by the TRAS on a website.
16. In complying with the requirements of paragraph 15 above, the licensee must have due regard to the need for excluding from the report, so far as is practicable, any matter that relates to the affairs of a person if the publication of that matter would or might seriously and prejudicially affect his interests.

Governance of TRAS

17. The licensee must ensure that effective change control arrangements are in place for Electricity Suppliers to seek amendment to the rules for the operation of the TRAS.

Access and use of data

18. The licensee must ensure that the TRAS:
 - a. ensures the protection of information and the security of the information and systems in the operation of the TRAS;
 - b. maintains, prepares and publishes a Compliance Statement stating how the TRAS will comply with the requirements in paragraph 18a; and
 - c. maintains, prepares and publishes a Privacy Impact Assessment for the purpose of assessing compliance with the Data Protection Act 1998. The Privacy Impact Assessment must be consistent with the best industry practice as recommended from time to time by the Information Commissioner's Office (or a successor body).
19. For the avoidance of doubt, the licensee is not required to undertake any activity required by this Direction, where within the licensee's reasonable view, it would cause the licensee to act in a manner that is not in compliance with the Data Protection Act 1998.

Specific requirements to provide information

20. The licensee must take (and ensure that any Representative takes) all reasonable steps to provide all Relevant Information to the TRAS that the TRAS may reasonably require to profile the risk of Unrecorded Electricity, and in particular Theft of Electricity, at all premises where Electricity is conveyed by a Licensed Distributor.
21. The licensee must inform the TRAS within a reasonable timeframe of the outcome of any investigation that it undertakes for Theft of Electricity.

Appointment and Operation of TRAS

22. The licensee must ensure that the TRAS commences the provision of the services described in paragraph 7 in accordance with this Direction by [31 March 2015], or such other date as the Authority may direct.
23. The licensee must ensure that the TRAS:

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- a. is appointed on a competitive basis that is consistent with best industry practice relating to the procurement of a service;
 - b. is appointed for a maximum term of five years;
 - c. is appointed from suitable organisations in a manner that:
 - i. secures value for money in terms of the combination of quality and cost over the lifetime of the contract;
 - ii. delivers the required goods, services or works to appropriate standards according to the needs of service users; and
 - iii. incorporates (at a cost that is not disproportionate to any associated benefit) sufficient flexibility to adapt to Electricity Supplier requirements over the duration of the contract.
 - d. does not at any time hold or acquire investments by way of shares, securities, or associated rights of any kind in any Electricity Supplier (or any Affiliates or Related Undertaking of such person) and/or Licensed Distributor (or any Affiliates or Related Undertaking of such person).
24. The licensee must not discriminate between any person or class or classes of person when appointing the TRAS.
25. The licensee must ensure that the contractual arrangement with the TRAS enables Electricity Suppliers to implement such practices and procedures in respect of contract management and contract performance as are necessary to ensure that Electricity Suppliers can at all times fulfil the requirements of this Direction and the licence.
26. In particular, without limiting the general effect of paragraph 25, the contractual arrangement with the TRAS:
- a. must provide for the licensee:
 - i. to obtain any information that it may require from the TRAS, in such format and at such time as may be specified, for the purpose of enabling the licensee to fulfil the requirements of this Direction and its licence; and
 - ii. to disclose such information to any third party where it considers that doing so is necessary to promote that purpose;
 - b. must provide for the termination of the contractual arrangement with the TRAS provider where it is inappropriate for the TRAS provider to continue to provide the services defined in paragraph 7, 8 and 9;
 - c. must set out the agreed Quality of Service Information; and
 - d. must provide for the services defined in paragraph 7, 8 and 9.

No abuse of the TRAS' position

27. The licensee must take all reasonable steps to ensure that the TRAS at all times manages and operates its services in a way that is calculated to ensure that it does not restrict, prevent, or distort competition in any of the markets for the provision of services described in paragraph 7.
28. The licensee must take all reasonable steps to ensure that the TRAS at all times carries on its activities in a manner that does not give any cross-subsidy to, or

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receive any cross-subsidy from, any Affiliate or Related Undertaking of the TRAS.

29. The licensee must take all reasonable steps to ensure that the TRAS does not:
- a. unduly prefer a Electricity Supplier or any Affiliate or Related Undertaking of a Electricity Supplier over any person or any class or description of persons; or
 - b. unduly discriminate between any person or any class or description of persons.

Clearly document rules of operation

30. The rules for the operation of the TRAS must be clearly documented and available to Electricity Suppliers.

Reporting

31. The licensee must ensure that the TRAS arranges for the preparation of:
- a. management information reports. The management information reports must include information and evaluation in respect of improvements to the arrangements for detecting Theft of Electricity such as trend data, levels and causes of Theft of Electricity and other relevant information on sources of Unrecorded Electricity; and
 - b. performance assurance reports.
32. The performance assurance reports referred to in paragraph 31 must:
- a. include a complete statement of how the TRAS is meeting the objective under paragraph 3 and the requirements of this Direction;
 - b. include a complete statement of the performance (both generally and in detail) of the TRAS in providing the services defined in paragraphs 7 and 8 during the year; and
 - c. set out in appropriate detail appropriate performance measures with respect to compliance of the TRAS with the Quality of Service Information.
33. The licensee must develop and maintain Quality of Service Information in such manner as will enable Electricity Suppliers to monitor on a continuing basis the quality and efficiency with which the TRAS services are provided.
34. The licensee must ensure that the TRAS arranges for the production of the reports required in paragraph 31 at least once a year.
35. The reports required in paragraph 31(b), must be prepared by a person who is fully independent of the interests of the TRAS, the Electricity Suppliers and the Licensed Distributors.
36. A copy of the reports referred to in paragraph 31 must be provided to the Authority.

PART C: Interpretation

37. Unless a contrary intention appears, any reference to terms in this Direction is to be read to have the same meaning given in the Electricity Supply Licence.
38. In this Direction:

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Affiliate	means, in relation to a Electricity Supplier or Licensed Distributor, any Holding Company, any Subsidiary, or any Subsidiary of a Holding Company of the Electricity Supplier or Licensed Distributor.
Compliance Statement	means a statement that sets out the practices, procedures, and systems by means of which the TRAS complies with its duties in relation to protection of information, the security of the information, and systems in the operation of TRAS.
Holding Company	means a holding company as defined in section 1159 of the Companies Act 2006.
Privacy Impact Assessment	means an assessment that sets out a process for evaluating the potential effects on privacy.
Relevant Information	means information in any form or medium, however conveyed or stored, and of any description, and includes any documents, accounts, estimates, returns, records, certificates, or reports, and data of any kind.
Related Undertaking	in relation to an Electricity Supplier or Licensed Distributor , means any undertaking in which the Electricity Supplier or Licensed Distributor respectively has a participating interest within the meaning of section 421A of the Financial Services and Markets Act 2000.
Subsidiary	means a subsidiary as defined in section 1159 of the Companies Act 2006.
Theft Target	means a target for the detection of Theft of Electricity by all Electricity Suppliers and if met each year it is likely to achieve an overall benefit to Customers.
Theft Target Methodology	means a complete and documented explanation, presented in a coherent and consistent manner, of the methods, principles, and assumptions that apply for the purpose of determining the Theft Target.
Quality of Service Information	means such specified information relating to quality and efficiency with which services are provided.
Unrecorded Electricity	means electricity that is not attributed directly to a Relevant Electricity Supplier as a result of Customer's consumption.

Appendix 4 - Glossary

B

BSC

Balancing and Settlement Code

D

DCUSA

Distribution Connection and Use of System Agreement

DNO

Distribution Network Operator

DPCR

Distribution Price Control Review

DTN

Industry data transfer network

E

ENA

Energy Networks Association

ERA

Energy Retail Association

ESQCR

Electricity Safety, Quality and Continuity Regulations

G

GSP

Grid Supply Point

H

HHDC

Half-hourly Data Collectors

HSE

Health and Safety Executive

M

MPAN

Meter Point Administration Number

N



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NHH

Non-half hourly

NHHDC

Non half-hourly Data Collectors

R

RIIO-ED1

Revenue=Incentives + Innovation + Outputs

RP

Revenue Protection

S

SLC

Standard Licence Condition

T

TRAS

Theft Risk Assessment Service

Appendix 5 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

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