

April 2, 2014

Dear Chiara,

Tackling Electricity Theft – The Way Forward

Please find Co-Operative Energy's response to the above consultation below.

Chapter Two: Enhancing obligations on suppliers

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?*

We agree that electricity theft is an issue that needs to be addressed, particularly as it results in charges being levied against both customers and suppliers which are not reflective of their actual consumption. We are therefore encouraged that Ofgem is taking these steps.

We believe it is appropriate that the proposed licence condition require suppliers to become a party to and comply with the Theft Arrangement and agree that provision should be made within this for suppliers to be required to assess customer vulnerability in relation to potential disconnection.

Chapter Three: Policy measures to improve prevention, investigation and detection

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

Yes, we feel that this will have a positive effect on competition as a result of more accurate cost allocation, given that the cost of electricity theft smeared across the wider industry will be lessened.

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

We agree that a detection based incentive scheme is less likely to result in perverse incentives in relation to locating electricity theft. While we agree that a cap on the incentive scheme would be likely to limit costs, we would also like to point out that it will disincentivise theft detection beyond the level of the cap. Nonetheless, we feel that this is an improvement on the theft detection incentives as they currently stand.



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We agree that a clear definition of exactly what constitutes theft would be useful in order to clearly delineate this from energy consumed but not properly recorded due to meter errors etc. Volumes resulting from theft detection must also be entered into settlement in order for the involved supplier to access any related incentive payment as, without this, much of the resulting benefit to the wider industry will be lost.

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

Yes, we believe that this is a sufficient lead time to allow obligated parties to put the necessary systems and process changes in place.

Please do not hesitate to contact me should you have any questions or require any further information.

Best regards,

Chris

Chris Hill

Head of Policy

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