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Dear Chiara

Tackling electricity theft – The way forward

I am pleased to attach Energy UK's response to Ofgem's consultation on tackling electricity theft – the way forward. It is not confidential.

If you have any questions, please do not hesitate to contact me on 020 7747 2965 or daniel.alchin@energy-uk.org.uk

Yours sincerely

Daniel Alchin
Policy and External Relations Manager

Tackling Electricity Theft – The way forward

Energy UK response

2 April 2014

Introduction

Energy UK is the trade association for the energy industry. We represent over 80 members made up of generators and gas and electricity suppliers of all kinds and sizes as well as other businesses operating in the energy industry. Together our members generate more than 90 per cent of the UK's total electricity output, supplying more than 26 million homes and investing in 2012 more than £11 billion in the British economy.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These high-level principles underpin Energy UK's response to Ofgem's consultation on tackling electricity theft – the way forward. This is a high-level industry view; Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

Executive Summary

The costs associated with electricity theft, including lost revenues, detection and prevention, are ultimately borne by honest customers. As noted in the consultation document, electricity theft poses serious health and safety risks for those who commit the crime as well as others in close proximity. Furthermore, where electricity is stolen, it is often used inefficiently, thus negatively impacting on the wider aim to reduce carbon emissions. For these reasons, broadly speaking, Energy UK welcomes the fact that Ofgem is taking action in this area.

However, it is important Ofgem recognise that while electricity suppliers have a role to play in reducing the theft of electricity, energy theft is a crime and as such a matter for the police, especially where linked with cannabis cultivation and serious organised crime. Electricity suppliers are not typically minded to report domestic customers who tamper with their meter to avoid payment to the relevant authorities. However, where related criminal activity is suspected suppliers will look to work with the relevant authorities as deemed appropriate.

Energy UK has a number of comments on the draft amendments to the electricity licence and the proposed timescales for implementing the dual fuel Theft Risk Assessment Service (TRAS). We have no comments on Ofgem's suggested principles for developing an incentive scheme for electricity suppliers. Energy UK members may, however, choose to respond individually on this issue.

Q1. 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 investigations?**

Broadly speaking, Energy UK agrees with the proposed amendments to the electricity Supply Licence Conditions (SLCs) in relation to theft.

In particular, we welcome Ofgem's decision to amend the drafting of SLC 12A.11 (a) (i) to ensure consistency with gas SLC 12A. If Ofgem and industry are to avoid unintended consequences and ensure the best customer experience it is vital a coherent framework and approach for customers and suppliers is established across both electricity and gas supply.

With this in mind, it is disappointing to note that the drafting of SLC 12A.1 (b) (ii) has not also been amended to reflect its counterpart in the gas SLCs (also 12A.1 (b) (ii)). As a result, not only does the Objective of the draft electricity SLCs continue to propose a broader definition of vulnerability than the gas licence conditions, but now also a broader definition than that proposed for the 'Standards for Theft of Electricity Investigations' (12A.11 (a) (i)) later in the draft electricity SLCs. To ensure the best outcome for consumers, suppliers must be able to effectively and efficiently tackle electricity theft. The use of the phrase "*such as*" in 12A.1 (b) (ii) adds a high degree of subjectivity to the concept of vulnerability and produces confusion when considered alongside the requirements of 12A.11 (a) (i). This creates uncertainty and, in turn, risk for suppliers conducting theft investigations when seeking to comply with their proposed licence conditions.

Inconsistencies within the proposed electricity SLCs and with the existing gas SLCs respective approaches to vulnerability could result in customers in the same situation being treated differently by supplier(s) when theft is identified. As noted above, if Ofgem is to avoid unintended consequences and deliver effective Theft Arrangements it is vital that SLCs are consistent and deliver a coherent regime for customers and suppliers across both electricity and gas supply.

As noted by Ofgem in the consultation documents final proposals¹, vulnerability in cases of theft should be considered by looking at the impact of a disconnection from electricity supply. We would, therefore, urge Ofgem to align the drafting of 12A.1 (b) (ii) with gas SLC 12A.1 (b) (ii) and the proposed drafting of electricity SLC 12A.11 (a) (i). As identified by Ofgem, electricity SLC 12A.11 (a) (i) and gas SLC 12A.1 (b) (ii) already offer robust protections for those groups of customers (pensionable age, disabled and chronically sick) who are "*at risk of suffering more substantial detriment than other customers*".²

Q2. Do you agree with our proposal to direct the implementation of the Theft Risk Assessment Service (TRAS)?

Yes

Q3. Do you agree with our proposed requirements for the TRAS and the related drafting of the proposed direction?

Energy UK has no comment. Our members may, however, respond individually to this question.

¹ Ofgem, '*Tackling electricity theft – The way forward*', Final decision and Notice of modifications to the electricity supply licence, 4 March 2014, p14

² Ibid

Q4. Do you agree we should require the TRAS to be implemented by 31 March 2015?

We would ask Ofgem to give further consideration to the implementation timescale for the establishment of a dual fuel TRAS. As noted in the consultation document, the SPAA dual fuel working group is currently drafting a detailed project plan, including timetables up to the award of a dual fuel TRAS contract. We would encourage Ofgem not to preempt the completion of the project plan.

Ofgem should instead look to work in partnership with industry to ensure the project plans proposed timelines are reflected in delivery dates included in the direction to electricity licensees and any revision to the direction previously issued to gas licensees.