



Making a positive difference  
for energy consumers

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Date: 31 July 2015

Dear Joanna,

**Decision to issue direction regarding pass-through of recovered money from theft investigations for 2014/15**

Thank you for your letter of 16 June 2015 requesting a direction from the Gas and Electricity Markets Authority (the "Authority"<sup>1</sup>) to pass through the revenue that Northern Gas Networks (NGN) recovered from gas theft investigations undertaken in 2014/15. This letter sets out our decision to issue a direction to NGN to use the miscellaneous pass-through term (MP<sub>t</sub>) contained in Special Condition 1C (Distribution Network allowed pass-through items) of the Gas Transporter licence (the "licence") for this purpose for formula year 2014/15.

The direction is attached to this letter. Below we set out the background to this request and the reasons for our decision.

*The relevant obligations on Gas Transporters*

Currently, Standard Condition 7 of the licence sets out obligations on gas transporters relating to gas illegally taken. Paragraphs 1 and 2 of this condition requires NGN to investigate theft of gas in the course of conveyance and, subject to the outcome of such investigation, use reasonable endeavours to recover the value of the gas taken.

Paragraph 3 of Standard Condition 7 states that NGN should suffer no financial detriment and acquire no financial benefit as a result of compliance with paragraph 1.

We welcome the work you have undertaken to investigate gas theft on your network and are pleased that you have successfully managed to recover money. The work that you have carried out will benefit consumers in your areas.

*Your request*

Pursuant to paragraph 3 of Standard Condition 7 you have submitted to us the amount recovered from successful investigations, minus the costs of conducting these investigations for your distribution network; this amounts to £30,083.75.

There is currently no specific pass-through term within your licence which allows you to pass through the amount recovered (minus the costs) from your investigations. In the

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<sup>1</sup> In this document the terms the "Authority" and "we" are used interchangeably.

absence of any specific term you have requested to use the miscellaneous pass-through term (MP<sub>t</sub>) as set out in Special Condition 1C.

*Our decision*

We have examined your request in light of our principal objective and statutory duties and agree that it is appropriate for you to pass through the referenced amounts specified above for the formula year 2014/15 through term (MP<sub>t</sub>). Our decision is based on Paragraph 3 of Standard Condition 7 of the licence, which states that you should suffer no financial detriment, and acquire no financial benefit, as a result of compliance with paragraph 1 of that condition. We also believe that consumers will benefit both from receiving these amounts and a reduction in gas theft.

As set out in the Appendix to this letter and in accordance with the provisions of Special Condition 1C, we therefore direct you to utilise the (MP<sub>t</sub>) term for the formula year 2014/15 to pass through the sum set out above.

For the avoidance of doubt, this direction applies to the formula year 2014/15 only. Any future requests for a direction will be judged on the merits of the application at the time of the request.

The figures you have provided on the work undertaken by NGN show that there are clear benefits to consumers of gas transporters taking a proactive approach to investigations of theft and unregistered sites. We will continue to work closely with industry on the arrangements for future years and will discuss these arrangements in due course.

This letter constitutes notice for the purposes of section 38A of the Gas Act 1986.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Branston', with a stylized, looping flourish above the name.

Paul Branston,  
Associate Partner, Gas Networks