

Modification proposal:	Supply Point Administration Agreement (SPAA) Change Proposal (CP): 15/320: 'TRAS Expert Group (TEG) Assessment of TRAS Related Change Proposals'		
Decision:	The Authority ¹ has decided to approve ² this modification ³		
Target audience:	SPAA Parties, SPAA Panel and other interested parties		
Date of publication:	17 March 2016	Implementation date:	24 March 2016

Background

In October 2012 we modified the standard conditions of the gas supply licence⁴, strengthening obligations regarding the prevention, detection and investigation of gas theft. An equivalent modification was made to the electricity supply licence⁵ in May 2014. These modifications require gas and electricity suppliers to be a party to, comply with, and maintain such "Theft Arrangement" as may be directed by us. We subsequently issued a direction requiring the establishment of the Theft Risk Assessment Service (TRAS). The aim of the TRAS is to assist suppliers' efforts in detecting theft by using data analytics to profile the risk of theft at given premises.

During the development of our proposals parties argued, and we agreed, that a dual-fuel TRAS had the potential to be more cost-efficient and more effective than separate services being developed under gas and electricity. We subsequently accepted modifications to both the DCUSA⁶ and SPAA which introduced schedules 25 and 34 respectively to those agreements. These schedules set out the TRAS arrangements⁷, including the governance and funding of the service, as well as their role and responsibilities with respect to date provision, etc. These schedules form the basis on which the service has now been procured, with the TRAS contract being a tripartite agreement between DCUSA Ltd, SPAA Ltd, and the TRAS Service Provider.

The modification proposal

This change seeks to establish an enduring role for the TRAS Expert Group (TEG), overseeing the TRAS arrangements on behalf of the SPAA Executive Committee and the DCUSA Panel. This oversight will include consideration of any proposed changes to the SPAA and/or DCUSA codes, assessing their impact upon the prevailing TRAS contract and associated operational processes. In particular, this assessment should identify any contractual changes that may be required in order to discharge the proposed new requirements, and the cost implications of those contract changes.

Change Board⁸ recommendation

At the January 2016 SPAA Change Board, there was unanimous support from those who submitted a vote, for both the proposal and the proposed implementation date. In accordance with the weighted vote procedure, the recommendation to the Authority is that CP 15/320 is accepted.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ 'Change' and 'modification' are used interchangeably in this document.

⁴ Gas Supply Licence Standard Condition 12A: "Matters relating to Theft of Gas".

⁵ Electricity Supply Licence Standard Condition 12A: "Matters relating to Theft of Electricity".

⁶ The Distribution Connection and Use of System Agreement.

⁷ As agreed by the TRAS Working Group, which reported jointly to the DCUSA and SPAA Panels.

⁸ Change Board is established and constituted pursuant and in accordance with the SPAA.

Our decision

We have considered the views of the Change Board and the Change Report dated 15 February 2016 and we have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the SPAA;⁹ and
- consenting to the modification being made is consistent with our principal objective and statutory duties.¹⁰

Reasons for our decision

We agree with the proposer and the Change Board that CP15/320 should be assessed against SPAA objective (c); we consider that it will have a neutral impact upon the other SPAA objectives.

(c) Promotion of efficiency in the implementation and administration of the supply point administration arrangements.

Now that the TRAS arrangements are in effect and subject to a live contract, it is important that any SPAA proposal which would require a revision to that contract is fully assessed and costed. We agree with the proposer and those respondents who commented, that this assessment should be undertaken before proposals are issued to SPAA parties for a vote. This will reduce the risk that proposals are deferred by the SPAA Change Board, or indeed rejected or sent back¹¹ by the Authority, due to insufficient assessment. Whilst we acknowledge that this additional step will increase the administrative process for TRAS-related changes, we consider that it is proportionate and will on the whole lead to a more robust and efficient change control process.

We note the proposer's intent is for any TRAS-related change under either SPAA or the DCUSA to be referred to the TRAS Expert Group. Given the tripartite nature of the arrangements, we would expect any proposal to be progressed under both the SPAA and DCUSA. However, CP15/320 can have effect only for the SPAA and will not of itself have any effect on DCUSA Parties (recognising that in many cases Parties are common to both codes). To the extent that it is considered necessary to codify the role of the TRAS Expert Group rather than rely on custom and practice, we would expect this anomaly between codes to be considered further, particularly by those Parties who are both gas and electricity suppliers.

Decision notice

In accordance with Standard Licence Condition (SLC) 30 of the Gas Supplier licence, the Authority hereby approves modification proposal SPAA CP15/320: '*TRAS Expert Group (TEG) Assessment of TRAS Related Change Proposals*'

Angelita Bradney Head of Smarter Markets

Signed on behalf of the Authority and authorised for that purpose

⁹ As set out in Standard Licence Condition (SLC) 30.5 of the Gas Supply Licence.

¹⁰ The Authority's statutory duties are wider than matters which the Change Board must take into consideration and are detailed mainly in the Gas Act 1986.

¹¹ Under SLC 30.9(b) we may issue a direction that a modification report is revised and resubmitted where we determine that we cannot properly form an opinion on the approval of the modification.