

Modification proposal:	Supply Point Administration Agreement (SPAA) Change Proposal (CP): 'Updating small and large transporter status to mandatory for Schedule 37' (CP17/403)		
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 January 2018	Implementation date:	23 February 2018

Background

In October 2012, we modified the standard conditions of the gas supply licence, strengthening obligations regarding the prevention, detection and investigation of gas theft.⁴ An equivalent modification was made to the electricity supply licence in May 2014.⁵ 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 to help improve the detection, prevention and investigation of theft. 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.

Whilst it was not prescribed in the suppliers' licence obligations, the expectation of both Ofgem and licensees was that the theft arrangements would include a 24-hour "tip-off" line. We subsequently accepted modifications to both the Distribution Connection and Use of System Agreement (DCUSA) and SPAA⁶ introducing schedules 25 and 34 respectively to those agreements. These schedules set out the TRAS arrangements, and for the most part formed the basis for the procurement of services which are now provided as part of the TRAS contract.

When the TRAS service provider was appointed, they were requested to work with the DCUSA and SPAA parties' preferred service provider for the provision of an energy theft tip-off line service (ETTOS), to agree an operating model and enter into a sub-contract for that service. However, a mutually satisfactory arrangement between the TRAS and ETTOS service providers could not be reached. Therefore, the DCUSA Panel and SPAA Executive Committee initiated an exercise to procure ETTOS directly, subsequently signing a tripartite contract with the chosen service provider in March 2016.

The ETTOS contractual arrangements were subsequently complemented and underpinned by new DCUSA Schedule 26 and SPAA Schedule 37.

The modification proposal

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 See: www.ofgem.gov.uk/ofgem-publications/39158/tackling-gas-theft-new-requirements-gas-suppliersfinal.pdf inserting Gas Suppliers Licence Standard Condition 12A: "Matters relating to Theft of Gas".

⁵ See: www.ofgem.gov.uk/sites/default/files/docs/2014/05/tackling_electricity_theft_-_new_requirements_for_electricity_suppliers.pdf inserting Electricity Suppliers Licence Standard Condition 12A: "Matters relating to Theft of Electricity".

⁶ Our decision on DCP264 and CP 16/325 is available on our website: <https://www.ofgem.gov.uk/system/files/docs/2016/08/dcp264-cp325d.pdf>

CP17/403 seeks to make a housekeeping amendment to the cover page of Schedule 37: 'Energy Theft Tip-Off Service' to clarify that it applies mandatorily to Gas Transporters, as well as Suppliers. In particular, the schedule requires the Gas Transporters to co-operate with the ETTOS service provider, enabling it to match tip-offs with actual addresses and/or identify the relevant Supplier. This would bring the schedule into line with current practice, as Gas Transporters are already aware of the need to comply with the schedule as was the original intention, notwithstanding this drafting anomaly.

Change Board⁷ recommendation

At the 14 November 2017 meeting of the SPAA Change Board, all parties who declared an interest voted in favour of implementing CP17/403.

Our decision

We have considered the views of the Change Board and the Change Report and have concluded that:

- implementation of the CP17/403 will better facilitate the achievement of the relevant objectives of the SPAA;⁸ and
- consenting to the modification being made is consistent with the our principal objective and statutory duties.⁹

Reasons for our decision

We agree with the proposer and the Change Board, which considered that CP17/403 should be assessed against SPAA objective (c), and that it would have a neutral impact on the other SPAA objectives.

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

As all relevant parties are already aware of the need to comply with the requirements of Schedule 37, CP17/403 may not have any discernible impact upon theft detection *per se*, though it will serve to avoid any doubt about those parties' current and ongoing responsibilities. Therefore, whilst there has been no suggestion that Gas Transporters or other parties would withdraw their co-operation with the ETTOS service provider, we agree with the proposer and those parties who supported CP17/403 that it will remove any ambiguity or uncertainty over the application of Schedule 37 and therefore contribute to the efficient administration of the SPAA.

Decision notice

In accordance with Standard Licence Condition (SLC) 30 of the Gas Supplier licence, the Authority hereby approves modification proposal SPAA CP17/403: '*Updating small and large transporter status to mandatory for Schedule 37*'.

Lesley Nugent

Head of Industry Codes and Licensing

Signed on behalf of the Authority and authorised for that purpose

⁷ Change Board is established and constituted pursuant and in accordance with the SPAA.

⁸ As set out in Standard Licence Condition (SLC) 30.5 of the Gas Supplier Licence.

⁹ The Authority's statutory duties are wider than the matters that the Change Board must take into consideration and are detailed mainly in the Gas Act 1986.