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Modification proposal:	**Supply Point Administration Agreement (SPAA) Change Proposals (SCP491): Amendment to the Gas Theft Detection Incentive Scheme (GTDIS) Timing**		
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:	30 April 2020	Implementation date:	1 May 2020

Background

The Gas Theft Detection Incentive Scheme (GTDIS) was introduced in June 2017 setting out yearly theft targets for participating Suppliers to report confirmed thefts. A further scheme based on the same design principle, the Electricity Theft Detection Incentive Scheme (ETDIS) was introduced in June 2018.

Under both schemes, Suppliers are able to make a claim for payment from one of two (per fuel) separate funds into which all Suppliers pay, pro rata to their market share. The separation of funds reflects the split in the incentive scheme and associated targets between domestic and non-domestic Suppliers.

As theft arrangements including the incentive schemes are currently operated across both the SPAA and Distribution Connection and User of System Agreement (DCUSA), it was identified early as a candidate for inclusion in the dual fuel Retail Energy Code (REC). This decision was subsequently confirmed as part of the Retail Code Consolidation (RCC) Significant Code Review (SCR) launch statement.[4]

The REC is currently scheduled to replace the SPAA and Master Registration Agreement (MRA), and incorporate elements of other codes as necessary, with effect April 2021. However, both the GTDIS and ETDIS currently run from June to May each year. The administration of the scheme is in part also dependent upon activities undertaken as part of the Theft Risk Assessment Service, the contract for which will expire at the end of March 2021.

The modification proposal

SCP491 seeks to update and align the theft incentive scheme schedules and timetable in order to facilitate and effective migration of the scheme to the REC. In particular, it seeks to reduce the 2020/21 reporting year to eight months, ending 31 January 2021. This would enable all payments and claims to be reconciled by the existing service provider(s) and for the scheme to start afresh under the governance of the REC.

Change Board[5] recommendation

[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: https://www.ofgem.gov.uk/system/files/docs/2019/11/rcc_launch_statement.pdf
[5] Change Board is established and constituted pursuant and in accordance with the SPAA.

At its meeting of 14 April 2020 the SPAA Change Board voted to accept SCP491, and also voted that it should be implemented with effect 1 May 2020.

Our decision

We have considered the views of the Change Board and the Change Report dated 15 April 2020 and have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the SPAA;[6] and
- consenting to the modification being made is consistent with the our principal objective and statutory duties.[7]

Reasons for our decision

Given that this change proposal is specifically about the orderly transition of the governance of the scheme to the REC, rather than to the manner in which the scheme operates, we agree with the Change Board that it should be considered against relevant objective (c). We further consider that SCP491 would in and of itself have a neutral impact upon the other relevant objectives.

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

We note that there were only three responses to the consultation on this change proposal, of which two were in support. The third respondent disagreed with the proposal on the basis that it retained the prevailing 73:27 split in the incentive scheme between domestic and non-domestic suppliers. As noted by the respondent, there is a separate change proposal[8] currently with the Authority for decision which proposes to change this to a 90:10 split. As such, we do not consider that this comment is relevant to our decision on SCP491 and will be dealt with separately.

Other than comments on the legal text which were subsequently accepted by the Change Board and incorporated into the final legal text, there were no further substantive comments.

SCP491 is predicated largely on the transition of the GTDIS to the REC will effect 1 April 2020 in line with the current RCC timetable. Although separate, the RCC has been developed in parallel with the Switching Programme SCR and intended in tandem to provide simple and effective governance of retail energy arrangements, including of the Central Switching Service (CSS). Prompted by the Covid-19 situation, the Switching Programme has recently agreed to a six month delay to User Entry Process Testing, which is likely to have a commensurate impact upon the CSS implementation date. Supplier representatives on the Switching Programme Delivery Group have also called for a delay to related regulatory activities, including the development of the REC. This request is currently being considered and may necessitate a re-planning of the REC delivery timetable.

Notwithstanding any changes that may be made to the REC delivery timetable, we recognise that there is a need to bring the current GTDIS to an orderly close, and that there are dependencies upon service providers whose contracts are due to expire within

[6] As set out in Standard Licence Condition (SLC) 30.5 of the Gas Supplier Licence.
[7] 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.
[8] SCP474: Update to Theft Target Split to Reflect Findings of Independent Review of the Theft Target Apportionment Methodology

the current scheme year. We also recognise the importance of providing certainty to Suppliers in advance of the start of the scheme year, in order to ensure that all participants can make appropriate plans and avoid the unintended consequences that may arise from a change mid-year.

We also recognise and appreciate the extraordinary efforts that suppliers and other energy industry participants are currently making to meet the challenges posed by the Covid-19 pandemic, and the need to prioritise those activities which protect consumers and security of supply. We understand that under these circumstances, suppliers may reasonably need to de-prioritise non-safety related theft detection activity. We have therefore written to both the SPAA EC and DCUSA Panel confirming that in our view it would be inappropriate for the 2020/21 GTDIS and ETDIS schemes to commence on 1 June as currently scheduled. We understand that derogations against the relevant SPAA and DCUSA obligations have now been submitted and are being considered by the SPAA EC and DCUSA Panel respectively.

Without prejudice to any determination that the SPAA EC may make in respect of a derogation request, or to our own re-planning of the REC delivery timetable, we consider that it would be appropriate to ensure that the GTDIS can be brought to an orderly conclusion while the existing service provider's contract remains in effect. Based on circumstances as they currently stand, we therefore agree that the implementation of SCP491 would better facilitate the efficient implementation and administration of the SPAA arrangements.

Decision notice

In accordance with Standard Licence Condition (SLC) 30 of the Gas Supplier licence, the Authority hereby approves modification proposal SPAA SCP491: 'Amendment to the Gas Theft Detection Incentive Scheme (GTDIS) Timing'.

Jon Dixon
Senior Policy Manager