

Bob Fletcher
UNC Secretary
Joint Office of Gas Transporters
31 Homer Road
Solihull
B91 3LT

07 January 2010

Dear Bob

EDF Energy Response to UNC Modification Proposals 0277: “Creation of Incentives for the Detection of Theft of Gas (Supplier Energy Theft Scheme)” and 0346 “An Alternative to the Supplier Energy Theft Scheme Based on Throughput”

EDF Energy welcomes the opportunity to respond to UNC Modification Proposals 0277 and 0346.

Whilst we recognise the importance of tackling gas theft and the need for robust commercial arrangements, we do not support the implementation of modification proposal 0277 or 0346 as we don't believe that introduction of a Supplier incentive scheme would offer any significant improvement in the detection of gas theft.

We do not believe that there is sufficient evidence to suggest that the same level of theft occurs across all supplier portfolios and are concerned that implementation of an incentive scheme that rewards those that detect theft and penalises those that don't, could result in an unfair distribution of funds.

We remain unconvinced that suppliers that do not identify high volumes of gas theft have “performed badly”. EDF Energy has carried out significant investment in measures to identify and prevent energy theft and yet under the SETS scheme, it is possible that we could incur significant costs for having a cleaner portfolio with less instance of gas theft than other suppliers.

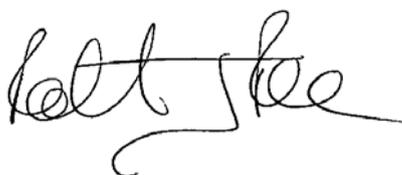
Our previous analysis has shown that where theft has occurred, customers do not tend to switch supplier whilst the theft remains unidentified and might only do so once the theft has been detected and revenue recovery work has commenced. The proposal makes the assumption that theft occurs evenly across all shipper portfolios. We do not believe that this has been substantiated by any publicly available data and goes against the suggestion made during previous industry theft discussions that gas suppliers with a high proportion of static customers would be more likely to have a higher incidence of theft on their portfolios.

We are concerned that even with the 2 year “Windfall Avoidance measures” this proposal could be construed as an opportunity for certain suppliers to reduce RBD costs whilst generating revenue from theft identified, rather than a scheme that will offer genuine benefit to the industry in the detection and prevention of theft of gas.

It is our belief that there are already other proposals that exist for addressing theft that could offer improvements above and beyond those offered by SETS, such as the development of a common Code of Practice and a National Revenue Protection Service (provided that a cost effective solution can be developed). Therefore we do not consider 0277 or 0346 to be the most cost effective or efficient way to improve the detection of gas theft.

I hope you find these comments useful and should you wish to discuss any of the issues raised in our response or have any further questions please do not hesitate to contact my colleague Dan Simons (Dan.Simons@edfenergy.com , 07875 113701).

Yours sincerely

A handwritten signature in black ink, appearing to read "Rob Rome".

Rob Rome
Head of Transmission and Trading Arrangements
Corporate Policy and Regulation