

Minutes Development Work Group 0277
Creation of Incentives for the Detection of Theft of Gas
(Supplier Energy Theft Scheme)
Friday 12 February 2010
Energy Networks Association, 52 Horseferry Road, London

Attendees

Bob Fletcher (Chair)	BF Joint Office
Tim Davis (Secretary)	TD Joint Office
Alison Jennings	AJx xoserve
Andrew Wallace	AW Ofgem
Anne Jackson	AJ SSE
Bali Dohel	BD Scotia Gas Networks
Colette Baldwin	CB EON UK
Dave Watson	DW British Gas
Lorraine McGregor	LM Scottish Power
Phil Lucas	PL National Grid Distribution

1. Introduction and Status Review

1.1. Minutes from the previous meeting

The minutes from the previous meeting were approved.

1.2. Review of actions from previous meeting

Action DG0277 001: Joint Office to amend and publish draft Terms of Reference in light of discussions. **Complete**

Action DG0277 002: British Gas to provide geographic evidence on theft from their portfolio.

Action Update: DW indicated that it had not proved straightforward to extract geographic data from the British Gas systems. The data would be provided as soon as possible, together with other evidence on theft distribution. AJx indicated that xoserve had undertaken some quick analysis of the geographic spread of valid theft as reported by LDZ. This suggested that there was some variation, which was largely as might be anticipated – for example, with above average theft levels in densely populated areas such as the North West. AJx offered to share the analysis once it had been suitably tidied up and sanitised. DW pointed out that xoserve's view on where theft detections / tip offs had occurred would be distorted by (a) population figures and (b) where suppliers placed their FTE - what was needed was a map plotting xoserve's data against p/capita p/FTE placement to get a true picture. **Carried Forward**

2. Review Group Discussion

2.1. Evidence of Theft

DW explained that under any SETS scheme it would be important to ensure that payments were justified and gaming was avoided. In this context, he felt the evidence to support claims could be similar to that which might be provided of an investigation under the proposed NRPS. DW added that the nature of evidence would necessarily vary

according to the type of theft. AW confirmed that Ofgem still intended issuing a letter clarifying what should be regarded as evidence of theft under the terms of the Act and Licence. This was linked to work being undertaken in the electricity arena, with a key issue in Code of Practice discussions being the supporting evidence that should be provided.

PL asked whether prosecution would be required before a claim could be made under the Proposal, and DW said this was not required. PL asked about the suggested requirement for Transporters to look at the evidence provided, with xoserve validating claims. DW explained that two options were in the Proposal regarding the evidence to be provided and he was not committed to either. PL suggested that a level of evidence is required under the existing Reasonable Endeavours Scheme and asked if this was a suitable starting point, with his interest in the Proposal being an understanding of the effort that would be required by xoserve on the Transporters' behalf. AJx confirmed that xoserve would want it to be very clear what would and would not constitute acceptable evidence without discretion being required on their behalf.

AW added that it was important to be clear what was being judged and hence the evidence needed and the level of evidence necessary to support a particular conclusion – for example, was this equivalent to a civil or a criminal test. DW confirmed that he envisaged a balance of probabilities should underlie the test, and so this was equivalent to the civil rather than criminal level of evidence - sufficient to justify disconnection under the Gas Act.

AJ suggested that the evidence to support disconnection was a high hurdle as you needed to show both that theft had occurred and that it was by that customer. AW asked if, under an incentive scheme, there was enough evidence of theft, then should that be reported and detection encouraged notwithstanding that the present customer was not involved? DW agreed that incentivising this behaviour was appropriate and the evidence required could reflect this. There was also some discussion around whether you would wish to incentivise reporting of theft that had occurred in the past but was not ongoing, which DW also felt would be beneficial. DW also added that sharing this data could be useful in identifying trends and the likelihood of theft occurring elsewhere, which he saw as being appropriately addressed through mechanisms other than Proposal 0277.

AJ used the example of identifying a meter registering in reverse and questioned whether this would be recorded under the scheme. In particular, she asked whether this would be different if the error was through an installation or registration error rather than through deliberate customer action. DW suggested that you would want either case to fall under the scheme as all unsafe installations should be addressed – you would not want to disincentivise reporting of any unsafe situations. Others suggested the incentive should be to detect theft, not other situations, such as when theft has stopped.

AW suggested that DW's view seemed to suggest that the scheme was intended to incentivise reporting of any losses, or could be focussed on safety. DW clarified that the intent was not to identify the guilty party in all cases as opposed to identifying cases where loss had occurred, which is linked to safety as meter tampering is inherently unsafe.

Following discussion of some examples of theft, LM suggested that the evidence to support theft would vary from case to case and any categorisation would probably need to be generic. AJ questioned whether this would incentivise people putting in as much evidence as they could in the hope that claims would be successful.

AJx questioned how the scheme would apply to Shippers with one or two registered Supply Points. DW confirmed that DM sites were excluded from the Proposal, which he believed dealt with the majority of very small Shippers. He did not believe any portfolios existed which were more or less likely to be liable to theft and he would welcome any evidence to the contrary – an assumption of homogeneity underpins the SETS Proposal.

DW suggested creating a matrix of evidence and theft types, although AW suggested that professional Revenue Protection Officers might be better placed to provide this. The following matrix was then developed:

Type of theft	Evidence
Meter bypass	Photograph, confession, reliable witness statement
Internal meter tamper	Confession, reliable witness statement
Tilted meter	Photograph, confession, reliable witness statement
Substitute meter	Confession, reliable witness statement
PPM – resetting credit allowance	Burst LCD display, confession, reliable witness statement
PPM tampering	Photograph when tamper in place, confession, reliable witness statement
Index tampering	Photograph, confession, reliable witness statement
Meter reversal	Photograph, forensic testing on removed meter, reverse of meter marked by meter reader, confession, reliable witness statement
Illegitimate use of legitimate bypass	Confession, reliable witness statement

DW invited all to add to this list in terms of both evidence that would be sufficient to justify a claim and also types of theft. DW also invited views on whether evidence should be provided with every claim or if parties should be obliged to hold but not submit supporting evidence, with the possibility of partial audit.

Action DG0277 003: All to consider the data items and evidence matrix (provided in the minutes)

SL questioned the references to User Pays within the Proposal, which would be a different mechanism to the self-funding within the scheme that DW appeared to envisage. DW indicated that he would welcome help in clarifying how this should be presented and described in the Proposal.

2.2. Terms of Reference

BF indicated that the terms of reference had been updated following the previous meeting and invited comments. PL reminded the Group that references to Suppliers in the Proposal should be to Shippers if the scheme was to sit in the UNC, which DW said would be undertaken when the Proposal is amended through the development process. The Group then accepted the Terms of reference.

3. AOB

None raised.

5. Diary Planning for Development Group

The following meetings are due to take place, following the meeting of Development Group 0274:

Friday 05 March 2010, 13:00, ENA, 52 Horseferry Road, London, SW1P 2AF

Monday 22 March 2010, 13:00, 31 Homer Road, Solihull, B91 3LT

Thursday 29 April 2010, 13:00, ENA, 52 Horseferry Road, London, SW1P 2AF

Monday 17 May 2010, 13:00, ENA, 52 Horseferry Road, London, SW1P 2AF

ACTION LOG - Development Group 0277

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DG0277 001	19/01/2010	3.0	Joint Office to amend and publish draft Terms of Reference in light of discussions	Joint Office (BF)	Complete
DG0277 002	19/01/2010	4.0	British Gas to provide geographic evidence on theft from their portfolio.	British Gas (DW)	DW to present at subsequent meeting. xoserve to provide supporting analysis at 5 March meeting
DG0277 003	12/02/2010	2.1	All to consider the data items and evidence matrix (provided in the minutes)	All	Expansion of the matrix to be considered at 5 March meeting