

**Minutes Development Work Group 0277**  
**Creation of Incentives for the Detection of Theft of Gas**  
**(Supplier Energy Theft Scheme)**

**Friday 05 March 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
Chris Hill	CH	RWE Npower
Chris Warner	CW	National Grid Distribution
Colette Baldwin	CB	E.ON UK
Dave Watson	DW	British Gas
Gareth Evans	GE	Waterswye
Joel Martin	JM	Scotia Gas Networks
Lorraine McGregor	LM	Scottish Power
Steve Mulliganie	SM	Gazprom

**1. Introduction**

**1.1. Minutes from the previous meeting**

DW requested that the update on Action DG0277 002 be expanded to capture 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 the xoserves stats against p/capita p/FTE placement to get a true picture.

The minutes from the previous meeting were then approved.

**1.2. Review of actions from previous meeting**

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

**Action Update:** DW confirmed that he was continuing to progress this action. AJx indicated that she had nothing further to share. **Carried Forward**

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

**Action Update:** Covered under agenda item 2.1 **Complete.**

## 2. Review Group Discussion

### 2.1. Geographic Incidence of Theft

DW suggested that all should provide details of their theft related workforce and its location in order to help make sense of the statistics – this could be provided to xoserve if considered commercially sensitive. Others indicated that they allocate staff where they are needed and felt the analysis would not be useful. AW said that the RPU's on the electricity side tend to be self-generating for leads and this can influence the geographical spread of reported theft. He was not clear on the gas side if the same impact might be seen in practice.

In response to a question from CB, AJx indicated that the information they have been analysing to date has been valid theft. Alternative data could be analysed, such as suspected theft, to see if this generated a different picture.

AJx confirmed that, at LDZ level, the pattern of reported theft did suggest the profile was not flat. She did not believe that providing further details of the information that was available to xoserve would provide useful information, for example, drilling down to six level postcode data. This would show what would be expected – that there are theft hotspots. SM, supported by others, concluded that the underlying proposal that theft is homogenous is not proven. However, DW felt that this could not be concluded and that additional analysis would help to identify the drivers behind any geographic spread, adding that he was disappointed others were unwilling to share data, which might inform analysis. CH responded that he was not in a position to commit to providing data but would ask if that would be possible.

**Action DG0277 004:** CH to ascertain if RWE Npower would be willing and able to share geographic evidence of its theft detection activity

CW suggested two pieces of work were needed. One was to develop Business Rules and the other was evidence to support an assessment of the Proposal against the Relevant Objectives. DW added that consideration of the evidence was particularly in need of development to support the business rules.

### 2.2. Evidence of Theft

At the previous meeting, DW suggested creating a matrix of evidence and theft types. The Group developed this to look as below:

Type of theft	Evidence
Meter bypassed	Photograph, confession, reliable witness statement
Internal meter tamper	Confession, reliable witness statement, forensic testing on removed meter
Tilted meter	Photograph, confession, reliable witness statement
Substitute meter	Confession, reliable witness statement, removal of meter union clamps
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, removal of meter union clamps
Illegitimate use of legitimate bypass	Confession, reliable witness statement
Battery Removal	Tamper flag on screen, missing meter seal

Notes on Matrix:

1. The examples of evidence listed above are to be tested against the Gas Act definitions based on the balance of probability test.
2. SETS audit process required to identify how evidence is used to gain or justify credits in the scheme to the administrator and other Shippers. Consider the checks required for justification by the administrator or if evidence is to be taken on face value by Shipper warrant.

DW explained that there could be a minimum level of evidence to suggest that theft had been identified, but more supporting evidence may be needed to support a particular case –the aim was to reach the standard required for the reasonableness test within the Gas Act. AJx asked whether there might be a hierarchy of evidence that was looked for. SM suggested this was about types of evidence and would vary from case to case, being akin to a pick and mix. It was noted that Ofgem had committed to publish an open letter on evidence of theft - progress on this could not be confirmed in the absence of an Ofgem representative.

**Action DG0277 005:** Ofgem to confirm when open letter on evidence of theft will be published

In determining minimum standards of evidence, DW emphasised that he was looking for consistent standards across all Suppliers, tied to the Gas Act expectations to demonstrate theft (balance of probability against an individual). SM was concerned that it would be difficult to be exact and prescriptive and felt the evidence should be widely drawn to allow flexibility for the wide range of circumstances seen in practice. LM supported this, and it was also agreed that an objective should be to avoid the potential for gaming under the scheme.

AJ suggested that a particular issue might be that all the types of evidence could be found, but theft could still not be attributed to the present customer. LM asked if, in these circumstances, it was envisaged that there would be a payment under the scheme. DW agreed to take this away and consider how to reflect this in the Proposal, and invited all to let him know if they had views in this area. AJx confirmed that xoserve believed there was some variation in what was reported to themselves as constituting theft.

SM asked whether the scheme would rely on evidence being submitted for every claim or if Shippers would warrant that the evidence was held, with his presumption

being that the second would be adopted. AJx confirmed that xoserve would not want to be required to check and confirm that every piece of evidence was valid.

LM asked what was envisaged for audit and whether this would be through xoserve. DW confirmed that the Proposal was for xoserve to administer the scheme including a validation process, with their costs met through the scheme. Audit was potentially separate from this. LM emphasised that she saw audit as central in any model where payments were flowing from one company to another.

AJx explained that xoserve carry out some high level validations now, but disagreements already arose under the present arrangements. If the value became higher, and the validations less clear-cut, it was recognised that the validation process could become unduly onerous. CB added that an appeal mechanism would need to be built into the scheme, which could be to Ofgem.

DW asked SM how he envisaged audit working under a warrant approach, which SM felt would, logically, be a sampling approach. However, he suggested taking advice from those active in audit at present since this should be a generic issue.

DW asked what the arrangements were for challenge at present, and AJx confirmed there was no formal governance surrounding this.

DW agreed to work up a straw man as to how the requirement for evidence will operate, and was minded to base this on warranting that evidence was available. LM questioned if an independent expert type approach, such as envisaged under Proposal 0229, could support claims and provide an independent form of assurance that claims are valid and being treated equitably.

**Action DG0277 006:** DW to develop a straw man proposal to inform the development of SETS business rules

SM suggested a half way process might be considered whereby all evidence is submitted to a central body and that could then be audited independently at some stage, with all bound by the independent auditor's conclusions. This may be complex and expensive, but that might be justified given the costs potentially associated with the scheme. LM said that the Business Rules should include timescales for when evidence had to be submitted, the validation process and when any audit/challenge may be made, and subsequently when payments would be made.

DW added that the Proposal envisaged that Shippers would be obliged to comply with the scheme and face potential consequences if non-compliance was identified.

### 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:

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**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
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.
DG0277 003	12/02/2010	2.1	All to consider the data items and evidence matrix (provided in the minutes)	All	Complete. <b>Closed</b>
DG0277 004	05/03/2010	2.1	Ascertain if RWE Npower would be willing and able to share geographic evidence of its theft detection activity	RWE Npower (CH)	Update due on 22 March
DG0277 005	05/03/2010	2.2	Confirm when open letter on evidence of theft will be published	Ofgem (AW)	Update due on 22 March
DG0277 006	05/03/2010	2.2	Develop a straw man proposal to inform the development of SETS business rules	British Gas (DW)	For discussion on 22 March