

Theft of Gas Review Group (UNC0245) Minutes
Monday 14 September 2009
Ofgem, 9 Millbank, London, SW1P 3GE

Attendees

Bob Fletcher (Chair)	BF	Joint Office of Gas Transporters
Helen Cuin (Secretary)	HC	Joint Office of Gas Transporters
Adam Frak	AF	SSE
Alison Jennings	AJ	xoserve
Allan Weaver	AW	Pleasant Associates
Bali Dohel	BD	Scotia Gas Networks
Cathy Wheeler	CW	Ofgem
Chris Hill	CH	RWE Npower
David Thorne	DT	Gas Forum (Gemserv)
David Watson	DW	Centrica
Erika Melén	EM	Energy Networks Association
Gareth Evans	GE	Waters Wye Associates
Joanna Ferguson	JF	Northern Gas Networks
Keith Stout	KS	Fulcrum
Lorraine McGregor	LM	Scottish Power
Mark Woodward	MW	xoserve
Matthew Willis	MWi	Consumer Focus
Peter Grimley	PG	Pleasant Associates
Phil Lucas	PL	National Grid Distribution
Richard Street	RS	Corona Energy
Rosie McGlynn	RM	EDF Energy
Sarah Westrup	SW	GTC
Simon Trivella	ST	Wales and West Utilities
Steve Mulinganie	SM	UK Gas Industry Consultant

Apologies

Anne Jackson	AJa	Scottish and Southern Energy
Colette Baldwin	CB	E.ON UK
Andrew Wallace	AW	Ofgem
Ralph Reekie	RR	Envoy Metering

1. Introduction and Status Review

1.1. Minutes from previous Review Group Meeting

The following amendments were requested:

Section 1.2 Review of Actions from previous Review Group Meetings

Action RG0245 0035: RR to provide a view on charges being passed through to iGTs for Theft of Gas and CO₂ incidents in addition to those included in allowed revenues.

Action Update: RR requested that this action is carried forward. **Carried Forward.**

RG0245 0022b: DW to consider and provide an update on the collection of theft of gas data.

Action Update: DW provided a summary of British Gas's response; generally the information such as MPRN and postal address could be construed as personal information, however this could only be used for ~~strategic~~-analytical purposes such as more frequent site visits and should not be used for setting customer charges ie. to request security deposits. It was accepted that the report could be produced without data protection issues as long as the information was not be used for customer blacklisting or for the uplifting of tariffs. DW was keen to include a recommendation within the Review Group Report that industry information is collated to allow strategic decisions to be made. KS questioned if this report was in effect the detail of valid Theft of Gas cases previously discussed within the valid, invalid CCAC report. It was agreed that this was a separate report with more granularity. AJa questioned what the report would actually detail and whether a database/report would list valid theft cases as those only resulting in a prosecution, or all accepted theft cases (some of which may not result in prosecution). It was agreed that the scope of report would need to be considered further and whether non prosecuted sites could be included if not pursued through a court of law. The use of a database was considered and it was acknowledged that ConQuest could not be used for this purpose. It was also agreed that appropriate caveats need to be established to guide the appropriate use of the report. It was suggested that xoserve could manage a database. MW was unable to commit xoserve to managing a database for these purposes, he explained consideration would be given once xoserve had a full understanding of exactly what is required. It was agreed to include a recommendation within the Review Group Report. **Complete.**

Section 2.1 Shipper Incentive Scheme

DW provided an estimate of £10m for British Gas's costs for managing theft of gas investigations ~~last year~~-during 2007. He suggested this would represent approximately 40% of the market and anticipates the value of the scheme to be no less than £20m.

The minutes of the previous meeting were then approved.

1.2. Review of actions from previous Review Group Meetings

Action RG0245 0008: Review Group 0245 to ensure the Theft of Energy Work Group recommendations is considered within the Review Group Report.

Action Update: BF confirmed that these have been included within the draft Review Group Report. **Complete.**

Action RG0245 0013: Review Group to consider a common set of rules for gathering evidence of theft and the key communication processes required.

Action Update: A detailed list needs to be incorporated into the final Review Group Report. **Carried Forward.**

Action RG0245 0017b: xoserve and Shippers to meet and discuss the Theft of Gas Report of valid, invalid and CCAC statistics and provide feedback to RG0245 Meeting on 14 September where the Review Group will consider the appropriate reporting, process and recommendations.

Action Update: MW confirmed that it has not been possible to arrange a meeting yet however, an invite has been circulated to operational contacts for interested parties to discuss the statistics. It was suggested that a meeting is convened on Monday 28 September 2009 at Ofgem. xoserve to confirm arrangements for the meeting **Carried Forward.**

Action RG0245 0017C: All Shippers to provide a response to the valid, invalid and CCAC Theft of Gas Report at the 14 September meeting.

Action Update: DW confirmed that British Gas is investigating the reasons behind each failure to respond to xoserve notifications of theft and will make process improvements to minimise this issue in future. Regarding the volume of cases dismissed as not being theft, DW confirmed the vast majority of reasons behind these were either (a) crossed meters, (b) meters passing unregistered gas, and (c) faulty meters. In each of these cases, the suspicion of theft was dismissed but the case was then handed off internally so that the actual issue could be resolved.”

It was agreed that this action should be discussed at the xoserve meeting on 28 September with action 0017b. **Carried Forward.**

Action RG0235 0029: Review group to consider the governance of code of practice documents

Action Update: It was agreed to consider governance when finalising the Review Group Report. **Carried Forward.**

Action RG0245 0030: British Gas to provide a legal view on the rights and entitlements to bill for used energy.

Action Update: DW confirmed that a legal view had been obtained from Denton’s. However, Denton’s had requested that this was not relied upon, as a result British Gas are seeking a view from another source. In essence the advice received to date highlighted the view that GTs do have rights to recover money through the existing conditions and that there was also an ability to recover compensation through the “tort of conversion”. Nevertheless further clarification is being sought and an update will be provided at the next meeting. ST confirmed that Wales & West Utilities internal legal advice confers with that provided by British Gas and that there would be a preference to use the Gas Code and License conditions rather than the “tort of conversion”. **Carried Forward.**

Action RG0245 0031: Consideration to be given by the group as to the type of data which is required in DN emergency procedures for reporting theft of gas and the flow of information to Shippers and iGTs.

Action Update: Further consideration and recommendation required for the Review Group Report. Also see Action RG0245 0051. **Carried Forward.**

Action RG0245 0033: DNs to consider data items required by Shippers/Suppliers.

Action Update: ST had previously confirmed that the Flow of data and future process to allow the flow of required data items will need to be considered when it is fully understood what items will be needed. **Carried Forward.**

Action RG0245 0034: RR to provide an iGT view on the reasonable endeavours scheme.

Action Update: RR provided an update from Envoy which has been published on the Joint Office website. Further clarification will be sought at the next meeting as the response did not clarify which iGTs had put in place “Reasonable Endeavours” schemes. **Carried Forward.**

New Action RG0245 0034b: Ofgem to clarify whether iGTs have a Reasonable Endeavour Schemes in place. **Pending**

Action RG0245 0035: RR to provide a view on charges being passed through to iGTs for Theft of Gas and CO incidents in addition to those included in allowed revenues.

Action Update: RR provided an update from Envoy which has been published on the Joint Office website, however further clarification was required, it was suggested that Shippers contact RR to discuss any points. **Complete.**

Action RG0245 0040: SM/DW to provide a process flow diagram for the management of shipperless sites.

Action Update: SM/DW envisaged the process flow diagram being available at the next meeting. **Carried Forward.**

Action RG0245 0044a: xoserve to contact supplier representatives directly with a requirement to communicate with MAMs to allow the provision of supplier details to xoserve for the matched activity sites.

Action Update: MW requested that this item is carried forward to the next meeting. **Carried Forward.**

Action RG0245 0046a: xoserve to provide an update from the 10 September Unregistered Site Meeting.

Action Update: MW confirmed that this meeting has been re-arranged and an update will be provided in due course. **Carried Forward.**

Action RG0245 0051: SM to present some potential solutions for incentive payments using a weighting scheme.

Action Update: SM confirmed that he was awaiting some statistics and hoped to present some information at the next meeting. **Carried Forward.**

Action RG0245 0052: ST to confirm Emergency script for potential theft of gas reporting.

Action Update: PL confirmed that a theft of gas allegation is treated exactly the same as a reported smell of gas. Some concern was again expressed about individuals wanting to report theft allegations anonymously and that the question for contact details could result in the caller disconnecting. It was also questioned if the Shipper should be advised of a reported Theft allegation through the emergency service. SM confirmed that only proven theft of gas cases will be reported to the Shipper otherwise the visit will be treated as an emergency visit and therefore not reported to the Shipper as an alleged theft of gas case. AF suggested that consideration is given to amending the process to enable follow up reports on theft allegations. **Complete.**

New Action RG0245 0052b: Transporters (PL/ST) to confirm how theft of gas allegations are flagged through the emergency service and exactly what the procedures are for access to sites when there is no detected smell of gas. This will enable the Review Group to consider information flows to Shippers. **Pending.**

2. Review Group Process

2.1. Shipper Incentive Scheme

British Gas highlighted that a number of questions were captured last month which DW would like the Review Group to consider further. The strawman presented by British Gas was briefly discussed; RS suggested as an alternative to British Gas' solution that the electricity scheme may be worthy of consideration. DT confirmed that there is a code of practice which sets out guidance for theft incidents within the electricity industry. However, this does not set out an incentive scheme to encourage theft detection.

RS believed a common code of practise where all parties operate to the same standard would be beneficial to the industry and SETS may not be needed. AF explained that SSE has been considering an alternative option of using a single national agent for the detection and investigation of gas theft. An outline of the suggestion was provided. AF offered to work up some further detail which could be provided at the next meeting. He explained that the British Gas proposal had been considered and SSE wanted an incentive for parties to report theft of gas under a uniformed approach. AF suggested

that the agent could be an existing Supplier revenue recovery team, GE thought the service could go out to competitive tender.

DW was keen to work up the two solutions to consider and incorporate them into the Review Group Report.

The advantages of having a central service for evidence collection was discussed, the data protection implications and ability of smaller shippers to pursue defaulting customers was also considered. A common approach was welcomed but some concern was expressed about the possible additional services, DW suggested each case will need to be assessed as prosecution may not wish to be pursued. The option of opting in nationally for a set or core services was discussed with the ability to opt out for certain services i.e. prosecution. SM made a comment that the ability to opt out of certain services may weaken the scheme and that this needs to be considered further.

RM suggested that suppliers and transporters would contract with the agent.

AF requested that all parties consider the solution for further discussion at the next meeting where SSE can bring along a more worked up solution.

DT highlighted that a central body would also enable the identification of dual fuel thefts, he suggested that in some cases theft is not limited to one source of fuel.

DW acknowledged that both solutions would have benefits and was keen to establish what fundamentals should exist within any scheme. DW was keen to consider which solution should be recommended by the review group for further development.

RM believed that the UNC was not the right governance mechanism for the operation of a revenue protection scheme and as such could not be supportive of a UNC modification for such an industry initiative.

RS was keen to consider the two approaches further. RM was keen to assess the potential financial implications. SM was keen to understand the best solution for the industry, suggesting this may be one of the approaches or elements of both, he believed that the review group may wish to establish a set of questions to enable an assessment of the options.

The extent of the Review Group Report was considered and whether the two options should be included within the report in detail.

A discussion took place on how the solutions being considered may not result in a UNC modification. Nevertheless there was a general agreement that the Review Group Report needs to provide a recommendation with enough detail on each solution to enable the industry to develop an appropriate solution.

RM suggested the next steps should be to conduct the xoserve operational meeting, adequately develop the SSE model and discuss further the British Gas scheme. It was agreed to schedule two further meetings on Monday 12 October and Tuesday 03 November 2009 and aim to report to the November Panel.

The Review Group considered the 28 September could be used as the operational meeting whereby the Ofgem venue already reserved could be utilised.

It was agreed that all parties should consider the SSE solution further and provide any comments to AF by 30 September 2009.

Action 0245 0053: All to provide feedback /comments to Adam Frak by 30 September 2009.

The British Gas Shipper Incentive scheme was discussed and the following concerns were captured:

RS questioned the two elements of the scheme, the incentive process and the reasonable endeavours. DW explained the incentive mechanism and possible

cost/funding of such a scheme in addition to the ability to claim through the reasonable endeavours scheme.

DW explained that British Gas find it beneficial to have a Theft of Gas investigation process. He recognised that some companies may not wish to pursue theft cases due to brand image. He made a suggestion that Corona Energy have at times chosen to ignore theft of gas allegations due to the lack of incentives. RS objected to the comment made and considered it to be inaccurate. DW believed that Corona Energy had been contacted about a potential case; however, RS responded he was aware of a report on a particular case but Corona Energy was not the supplier at the time the issue was raised.

RS challenged the incentive scheme base line and whether it should be based on the cost of procuring a Revenue Protection Scheme. The disadvantages setting a base line based on the cost of procuring a Revenue Protection Scheme was discussed. It was not clear what the appropriate base line should be however, it was recognised that this would have an element of uplift.

SM questioned if DM and DM elective would be excluded from the scheme and what the rationale for this would be. RM challenged why they would be excluded from the scheme. It was recognised that these are daily monitored sites however it was unclear if these readings are analysed to identify instances of theft.

Action 0245 0054: DW to consider if DM or other remotely metered sites should be included within the scheme.

The effect of smart metering was considered and how this may affect the scheme in the future. DT commented that any scheme governance should ensure that future industry changes are considered and the scheme adapted appropriately.

RS challenged if there would be any disincentive for suppliers to report theft found on competitor sites especially if this would have a profound affect on the incentive payments.

RM asked if there would be a detection bonus within incentive scheme aimed at the meter reading function she gave an example where a meter reader may establish a bank of tampered meters some of which are not within their remit to read.

LM challenged the assumed correlation between the portfolio spread and the level of theft cases. SM confirmed that this will be considered further when looking at the statistics and weighting of scheme.

LM questioned how the incentive scheme contribution will be set as the cost of contracting a revenue protection agency may be much higher than the cost contribution of the scheme and may act as an incentive to contribute to the scheme and do no more.

SM was also interested in understanding the costing elements for the single national agent solution.

RM confirmed that EDF Energy have an active Revenue Protection Agency however they recognise that the industry may want to improve on current practises.

AF asked about the definition of theft, DW confirmed that this needs to be established.

2.2. Review Group Report

The resulting best practise document for the industry was considered. DT believed that the governance of such document is very much dependent on the solution; whether it is a dual fuel solution and how it is made mandatory for example license obligations.

The calculation principles were also considered it was agreed that this can be addressed at the xoserve operational meeting.

The additional reporting capabilities were also considered. The safety implications were considered to be president and that all customer reported cases must be reported

through the emergency line. RS expressed concern that a customer may not use the emergency number if they believed there is an alternative reporting mechanism.

The management of a live service and live meter scenarios was considered and will be considered further at the next meeting.

The Code 12 process was considered, the issuing of MPRNs was also considered and when the next batch of MPRNs is going to be issued to the industry.

AJ explained the purpose of the meeting on 17 September 2009 is for managing unregistered sites, this is a separate issue to the allocation of MPRNs to iGTs. ST explained that the Code 12 problem was about xoserve creating an MPRN for an iGT site following an enquiry by a Shipper. KS clarified the Code 12 issue was about looking at a process for making iGT MPRNs visible earlier within the current process to reduce/prevent Code 12 issues. It was suggested that iGTs and xoserve need to review this process to look for improvements. MW confirmed that there are a number route causes that result in unregistered sites and this may be one of them.

The current incentives were considered and added to the Review Group Report. It was unclear which licence condition related to theft for inclusion within the report.

Action RG0245 0055: Ofgem to confirm which Supplier Licence condition relates to theft.

DW highlighted an increasing event of customers transferring suppliers within 28 days of receiving a bill, which due to the timeframe does not allow for a Shipper to object to a transfer unless the bill remains unpaid by the consumer for more than 28 days. This situation allows a customer to avoid paying charges.

Possible data protection issues were considered. It was recognised that the information sharing within a single national agent will prevent cases of theft being dealt with by individual revenue protection agencies. However it was acknowledged that the data managed by the single agent may not be used to prevent transfer and that the objection process does not allow an objection because of a theft of gas investigation.

3. Diary Planning for Review Group

10:00 Monday, 12 October 2009, at a venue to be confirmed.

10:00 Tuesday, 03 November 2009, at a venue to be confirmed.

4. AOB

None

ACTION LOG – Review Group 0245

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0245 0008	18/05/2009	2.1	Review Group 0245 to ensure the Theft of Energy Work Group recommendations are considered within the Review Group Report.	All	Complete
RG0245 0013	18/05/2009	2.2	Review Group to consider a common set of rules for gathering evidence of theft and the key communication processes required.	All	Carried Forward
RG0245 0017b	10/08/2009	1.2	xoserve and Shippers to meet and discuss the Theft of Gas Report of valid, invalid and CCAC statistics and provide feedback to RG0245 Meeting on 14 September where the Review Group will consider the appropriate reporting, process and recommendations.	xoserve and Shippers	Carried Forward
RG0245 0017c	10/08/2009	1.2	All Shippers to provide a response to the valid, invalid and CCAC Theft of Gas Report at the 14 September meeting.	All Shippers	Carried Forward
RG0245 0029	01/06/2009	2.3	Review group to consider the governance of code of practice documents	All	Carried Forward
RG0245 0030	01/06/2009	2.3	British Gas to provide a view on the rights and entitlements to bill for used energy.	British Gas (DW)	Carried Forward
RG0245 0031	15/06/2009	2.1	Consideration to be given by the group as to the type of data which is required in DN emergency procedures for reporting theft of gas and the flow of information to Shippers and iGTs.	All	Carried Forward
RG0245 0033	15/06/2009	2.1	DNs to consider data items required by Shippers/Suppliers.	DNOs	Carried Forward

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0245 0034	15/06/2009	2.1	RR to provide an iGT view on the reasonable endeavours scheme.	Envoy Metering (RR)	Carried Forward
RG0245 0034b	14/09/2009	1.2	Ofgem to clarify whether iGTs have a Reasonable Endeavour Schemes in place.	Ofgem (CW/AW)	Pending
RG0245 0035	15/06/2009	2.1	RR to provide a view on charges being passed through to iGTs for Theft of Gas and CO incidents considering any price control regulations.	Envoy Metering (RR)	Complete
RG0245 0040	15/06/2009	2.3	SM/DW to provide a process flow diagram for the management of shipperless sites.	GDF Suez (SM) British Gas (DW)	Carried Forward
RG0245 0044a	10/08/2009	1.2	xoserve to contact supplier representatives directly with a requirement to communicate with MAMs to allow the provision of supplier details to xoserve for the matched activity sites.	xoserve	Carried Forward
RG0245 0046a	10/08/2009	1.2	xoserve to provide an update from the 10 September Unregistered Site Meeting.	xoserve	Carried Forward
RG0245 0051	10/08/2009	2.1	SM to present some potential solutions for incentive payments using a weighting scheme.	SM	Carried Forward
RG0245 0052	10/08/2009	2.2	ST to confirm Emergency script for potential theft of gas reporting.	WWU (ST)	Complete
RG0245 0052b	14/09/2009	1.2	Transporters (PL/ST) to confirm how theft of gas allegations are flagged through the emergency service and exactly what the procedures are for access to sites when there is no detected smell of gas. This will enable the Review Group to consider information flows to Shippers.	Transporters (PL/ST)	Pending

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0245 0053	14/09/2009	2.1	All to provide feedback /comments to Adam Frak by 30 September 2009.	All	Pending
RG0245 0054	14/09/2009	2.1	DW to consider if DM or other remotely metered sites should be included within the scheme.	British Gas (DW)	Pending
RG0245 0055	14/09/2009	2.2	Ofgem to confirm which Supplier Licence condition relates to theft	Ofgem (CW/AW)	Pending