

Theft of Gas Review Group (UNC0245) Minutes
Monday 13 October 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
Alison Jennings	AJ	xoserve
Andrew Wallace	AW	Ofgem
Anne Jackson	AJa	Scottish and Southern Energy
Bali Dohel	BD	Scotia Gas Networks
Chris Hill	CH	RWE Npower
Collette Baldwin	CB	E.ON UK
David Watson	DW	Centrica
Gareth Evans	GE	Waters Wye Associates
Keith Stout	KS	Fulcrum
Lorraine McGregor	LM	Scottish Power
Mark Woodward	MW	xoserve
Matthew Willis	MWi	Consumer Focus
Phil Lucas	PL	National Grid Distribution
Rosie McGlynn	RM	EDF Energy
Sarah Westrup	SW	GTC
Steve Mulinganie	SM	UK Gas Industry Consultant

1. Introduction and Status Review

1.1. Minutes from previous Review Group Meeting

The following amendments were requested:

DW requested a change to the notes made at the previous meeting under Section 2.1 where an incorrect summary had been made of a discussion between himself and Richard Street. The summary suggested that Corona Energy have at times chosen to ignore theft of gas allegations due to the lack of incentives. DW explained that this was not what British Gas had said, he confirmed that he had no knowledge or evidence to suggest that Corona Energy had been ignoring allegations of theft. DW's recollection of the discussion, is that contrary to an assertion that the current incentives regime are effective he believed that issues continue to exist on parties' portfolios. The conclusion he was trying to draw was that the current incentives are not necessarily as effective as some would believe.

Therefore the following amendment was requested:

DW explained that British Gas find it beneficial to have a Theft of Gas investigation process. [He believed contrary to an assertion that the current incentives regime is effective, issues continue to exist on parties' portfolios.](#)

~~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.~~

BF requested that DW discusses the requested amendment with Richard Street.

The minutes of the previous meeting were then approved.

1.2. Review of actions from previous Review Group Meetings

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: DW explained that it would be difficult to establish a defined list rules and what would be deemed as appropriate evidence. He provided an example whereby digital photographs could be accepted as evidence but his may not illustrate internal tampering of a meter. It was suggested that minimum levels of evidence could be established but this was challenged. It was recognised that evidence needs to be demonstrated to undertake action. BF questioned if a set of rules could sit within the Best Practise documents, AW was keen to make a recommendation for the Best Practise documents to contain a common set of rules. It was agreed that a detailed list needs to be incorporated into the final Review Group Report. **Carried Forward.**

Amended Action RG0245 0013: Review Group to consider a minimum set of rules for gathering evidence of theft, the key communication processes and what type of data is required in DN emergency procedures.

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 xoserve held a Theft of Gas Workshop, he provided a presentation slide to summarise the outcome of this meeting. RM questioned if following the workshop there was any intention to modify the theft of gas reporting process. MW explained that there was a number of recommendations recorded that will feed into the Conquest Replacement Project (BPMS). AJ explained that the Conquest Replacement Project timeline was over 12 months, however this need not prevent changes to reporting mechanisms. **Complete.**

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: It was agreed that this action had been completed at the xoserve workshop. AW asked if the 80 day period was considered a long enough period for shipper/supplier investigations. MW explained that this was captured as a consideration for the workshop report. **Complete.**

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

Action Update: PL highlighted that British Gas had submitted a SPAA change. DW confirmed that four to five points had been submitted that need to be put in place whilst discussions continue, he explained that the SPAA change was not enduring solution. **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 British Gas had provided a legal view however he was not able to provide this view verbatim. SM believed that British Gas was seeking a view from another source and questioned if an update was available. DW confirmed a legal view was sort from another source but again he could not provide this verbatim.

Complete.

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: It was agreed that this action could be merged with Action 0013.

Closed.

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

Action Update: RM asked if this had been discussed at the xoserve workshop, MW confirmed that iGT theft reporting had been discussed at the workshop. Some concern was expressed about visibility for iGT networks. KS explained that iGTs contract out for their emergency services. MW explained that xoserve would pass through potential cases of theft to iGTs. CB believed conquest queries have been raised in the past for iGT sites. AJ asked for examples for further investigation, AJ expects these to go back to the iGT. MW confirmed that the process would be confirmed on the xoserve workshop report for clarification. It was agreed that this action could also be merged with Action 0013. **Closed.**

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

Action Update: BF confirmed that RR had provided an update from Envoy which has been published on the Joint Office website however further clarification would be sought for the next meeting as the response did not clarify which iGTs had put in place "Reasonable Endeavours" schemes. **Carried Forward.**

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

Action Update: AW confirmed that he was not aware of which iGTs have an approved Reasonable Endeavour scheme. DW asked how this sits with the obligations to have a Reasonable Endeavours scheme in place. KS explained that Fulcrum have a Reasonable Endeavours Scheme, he agreed to establish if this could be shared with the group. DW suggested that the Review Group Report should recommend that Ofgem and iGTs review the requirements of Reasonable Endeavours schemes. SM suggested that the schemes also need to be checked to ensure they are up to date. **Complete.**

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

Action Update: SM/DW provided a Shipperless Disconnection process flow diagram. SM explained that from the statistics provided 70% of Shipperless Sites are resolved within six months, a further 10% are resolved within one year. SM suggested that the trigger period should ideally start at six months, challenging the reason to wait until 12 months to clear another 10%. BD asked what the 10% represents to determine if this was a small number of sites. It was suggested that the 10% is likely to represent thousands of sites as there are on average 85,000 per annum. SM explained that the process had been designed to investigate the remaining 30% with a proactive approach on the 10% that would normally take another six months to be cleared. DW explained that the earlier the process is triggered the earlier the customer is aware of the need to obtain a Supplier. AJ expressed concern about the overlaps with the current xoserve processes and questioned the differences between the processes. It was challenged how Transporters would identify Shipperless sites. It was suggested that site visits may

need to be undertaken. PL expressed concern about the point at which Transporters would be expected to undertake site visits. SM explained that the party responsible will trigger the process to identify if a registered supply exists. AJ expressed that xoserve already undertake a process to identify Shipperless sites and have found in the past that customers in many cases are able to provide contracts and sometimes bills to confirm that a supply contract is in place but the Shipper has not confirmed the site. CB suggested the process outlined is an alternative process to draw out customers who are avoiding a supply contract. AJ expressed concern that the previous “three letter” process had not been successful in the past and did not encourage Shippers/Suppliers to provide a response to the xoserve Shipperless Sites report. SM partly agreed, however this process includes a sanction that leads to the disconnection of the service if confirmation is not provided and this is likely to change behaviours.

MW highlighted the need to clear Code 12 rejections for MPRNs that have been created and no longer needed. MW explained that a Shipper activity report is produced by xoserve and believed that it is not unreasonable to expect a confirmation from a Shipper when the report indicates activity on sites. AJ encouraged Shippers/suppliers to respond to the reports provided. SM explained that the C&D store might be updated whereby a supplier has identified a site not registered but this does not necessarily mean that the supplier reporting the case will become the registered supplier, the supplier may simply be meeting its obligation to update the C&D store.

KS questioned when the process would revert from the xoserve approach to the supplementary approach. MW asked if the final sanction of disconnection had been accepted, as he believed some questions had been raised on the interpretation that Transporters have the ability to disconnect under current. **Complete.**

New Action RG0245 0040a: xoserve / Transporters to consider the process flow diagram for the management of Shipperless sites and provide a response. **Pending.**

DW explained that there are different legal opinions on the rights to recover revenue however there was a deemed right to disconnect if reasonable endeavours have not been made to establish a supply.

New Action RG0245 0040b: The Review Group to report to highlight the need for Transporters to disconnect customers that have not made reasonable efforts to secure a registered supplier. **Pending.**

DW also highlighted that the obligations under GSMR for services where a meter has been removed from site, he believed that Transporters ought to consider mirroring this for live services that have been connected without a meter, and that after 12 months if a meter is not connected the service should be disconnected.

New Action RG0245 0040c: Transporters to advise the impacts of mirroring the GSMR for service disconnection following a meter removal for a process live service with no meter fitted within 12 months. **Pending.**

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 confirmed that the MAMs have already been contacted and they are in the process of requesting that suppliers provide authorisation to the MAMs. **Carried Forward.**

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

Action Update: MW confirmed that this meeting had been undertaken and provided a presentation slide to update the group. The next meeting was scheduled for 23 November 2009. KS asked if the Unregistered Site Meeting was being productive. DW recognised that there is a need for route cause analysis of Shipperless sites and this will need to be a recommendation for the Review Group Report. CB was unsure if there was any evidence of the 20% not confirmed and whether all of these would eventually be confirmed. MW explained that not all will be confirmed as some may be vacant premises or where the MPRNs are no longer required. CB asked if xoserve could provide a breakdown of what remains within the 20%. **Complete.**

New Action RG0245 0046b: xoserve to provide a breakdown of the 20% unconfirmed sites. **Pending.**

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

Action Update: SM provided some statistics on cleared theft of gas allegations on conquest, the statistics suggested due to the number of cases that the 10,000-25,000 therms would need to be weighted. He confirmed that the spreadsheet would be amended to allow consideration of a weighting scheme. He suggested that a weighting process scheme could initially be implemented with a weighting equal to one with the ability to review and amend at a later date. **Carried Forward.**

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.

Action Update: PL confirmed that all cases managed on conquest. **Complete.**

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

Action Update: AJ confirmed that feedback had been received. **Complete.**

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

Action Update: DW believed that this still needed to be considered. He suggested there needs to be evidence that there is an issue on DM sites. **Carried Forward.**

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

Action Update: AW confirmed that the two conditions relating to theft. These were Condition 12 this relates to investigation and Condition 17 this relates to the provision of information. **Complete.**

2. Review Group Process

2.1. Incentive Schemes

AJa provided a presentation on the single RPU. This included the principles of a single provider, the need for a prescribed base level service, the inclusion of iGTs and the treatment of customers (particularly vulnerable customers).

AJa explained the base level services. DW asked if all cases would lead to prosecutions as British Gas may decide not to prosecute all cases. AJa explained that this would need to be predetermined. DW asked if Shippers would have the discretion to direct

prosecution or not. LM suggested that there will need to be consideration of the costs to prosecute and against the value of theft.

AJa explained that the service provider would be acting as an agent and would therefore have access rights with an agreed base level to act on behalf of the supplier. If the supplier wishes to negotiate additional services this would be done through an optional service.

SM asked about the option to include electricity.

DW questioned the handling of persistent offenders, he recognised that the central agent would have a log of persistent offenders and if this should be included as a base line service not an optional service. AJ explained that the holding of data that would identify persistent offenders would not be available to suppliers.

DW asked if disconnection and reconnection rights would lie with the central agent. AJa explained the agent could only act for the existing supplier and not the disconnecting supplier. A discussion took place on the rights for reconnection and whom these should sit with. DW explained that if the right for reconnection stays with the supplier this would not improve the current arrangements whereby the disconnecting supplier will have no means of recovery. The ability to prevent a transfer was discussed and that evidence needs to be provided to prevent a transfer.

CH provided a presentation on the proposed funding arrangements, this suggested that the funding should cover operational cost of the scheme and that incentivisations would take form as additional payments.

PL asked about the intention to include Transporters theft upstream of the ECV. GE highlighted that inclusion of Transporters theft may affect the shrinkage regime. It was questioned if Transporters should be included within the same process, SM believed Transporters should be included, however the funding would need to be considered. GE suggested that upstream theft may become more frequent if downstream theft is targeted. KS questioned the incentives for Transporters for upstream theft due to the benefits for Transporters.

Action 0056: All Transporters (including iGTs) to consider the inclusion of upstream theft and how Transporters would contribute to the funding of the service. Shrinkage impacts will also need to be considered.

DW questioned the possibility of disincentives to participate in a single RPU service and the need for consideration of this within the funding.

GE provided a presentation on a fund reallocation model. He highlighted the current deficiencies and that in some cases within the I&C market the cost of the gas consumed may not be recoverable due to bankruptcy. He believed that this was a supplier issue requiring a supplier solution; he did not believe this would be a UNC issue.

GE suggested the possibility of more than one agent, or an oversight committee. This was considered. There was a general consensus by Shippers for one interface, however it was recognised that the single service agent could put in place commercial arrangements and contract out to numerous service providers.

GE suggested another alternative whereby the back office administration could be done by either an agent or a supplier before it was passed on for progression.

SM expressed concern about the assurances that would be required and the cost of proving appropriate assurances.

GE challenged if revenue protection teams would continue to exist as they do now, questions were also asked about the use of internal Shipper revenue protection teams.

It was questioned if a base line was agreed could numerous revenue protection schemes undertake the service. RM explained that EF Energy have a team of revenue protection engineers that could be utilised as long as the base line was met.

SM expressed concern of opting in and out of the core service.

RM suggested that as long as the minimum requirements were met and as long as assurances could be provided other service providers could be used.

It was recognised that there was a number of alternative solutions to managing the core requirements.

AW asked who would check the opt out options; it was suggested that this could be done by central governing body – an oversight committee.

GE introduced the funding whereby the basic costs are recovered and anything above the running costs/retainer costs are smeared amongst the RbD Shippers on their Market Share as they have already paid an element of theft within the RbD mechanism. Costs recovered from customers would be based on the cost of pursuing debt. A hypothetical example was given for £1,000 debt, 10% taken for running costs and £900 smeared back to the RbD community.

AW expressed concern about the potential over handed treatment.

SM challenged what would happen to monies unrecovered. CB was concerned that the RbD mechanism may overlook things like settlement. However she welcomed the RbD Markey consideration. DW challenged how the solution would prevent things going into the settlement process.

Some questioners were asked about the recovery of costs and what would happen with the recovered money, DW believed there may be issues with Opex + X formula and whether this would drive the right behaviours.

DW provided a presentation based on the central RPU, highlighting some of the needed parameters. DW highlighted that proactive methods have proved successful for British Gas. He expressed concern about the scale of the RPU function and data protection issues. He believed that success will be dependant on the flow of information and the incentives to encourage this.

He emphasised that the success of any mechanism will be dependant on incentives, he highlighted that case studies within the electricity market have indicated that without the right incentives information flows can dry up. RM believed that the electricity market and gas market are difficult to compare because obligations can sit at different points

DW expressed concern about the governance of a single RPU and how this service is managed.

SM was confident that it is possible to engage a service through a competitive tender.

DW was unsure that a monopoly service provider would be suitable in a competition market, whereby competition is proven to drive efficiencies. He believed there were three main areas to consider, these were obligations, data protection and governance. DW believed obligations would need to be established to ensure information is provided to the single service provider. He believed there would still be Data protection concerns, however this was disputed as the information collected was on potential criminal activity and that Governance needs to ensure performance and brand protection.

DW also expressed concern about the costs associated with a single RPU. SM challenged that a single service provider would be able to provide a cost effective solution in the longer term.

SM believed the best solution was a single service agent however he was not only minded to this solution.

RM believed that the single RPU offered a better pragmatic, holistic, common approach to the problem rather than an incentive scheme alone.

DW believed that the single RPU was a long term solution which would have higher costs and that a set incentives could deliver short term solutions.

DW believed that the single RPU unit had a complex costing solution, however this was challenged by SM and CB as they believed that the complexities for the single RPU was mainly with agreeing the base line service.

Action 0057: AJa to clarify the complex costs statement within her presentation and what this relates to.

DW expressed concern about the ability to have a single RPU for gas and electricity when the market disconnection process and others differ. He also believed that the ability to collect cash was no better with the RPU. He believed that there are a large number of challenges to overcome for single RPU; the size of systems, the ability to crunch data, billing system interactions and incentives.

It was questioned if the Review Group Report needed to provide a consensus view. It was suggested that the options along with the advantages and disadvantages could be included within the report for consideration by an appropriate change mechanism it was recognised this may not result on a UNC modification.

SM asked for more detail on the set scheme and if there was any data on the likely pay back for the group to consider. DW explained that the payback is erroneous without knowing the cost of operating.

SM made a suggestion that customers who are stealing gas undetected will be less likely to change suppliers. He explained as British Gas inherited a large portfolio which could have a large proportion of previously undetected theft, could indicate why British Gas are able to identify improvements with their proactive theft detections. SM was keen to have a balanced scheme and wanted to go into more detail. At present he could see some suppliers contributing under the set scheme with little active theft and suppliers with greater theft levels profiting.

DW explained that if there were concerns that British Gas would be able to profit from the set scheme he would be happy to come up with a revenue cash neutral process whereby British Gas would not be able to profit, whilst other shippers get up to speed. It was agreed that the review would need to negate this concern.

AW was keen for the group to consider the governance of both schemes.

Action 0058: All to consider and provide a response to the set scheme

Action 0059: All parties to consider the appropriate governance.

Action 0060: AJa and DW to provide summary of single RPU and set scheme for insertion within the Review Group Report

2.2. Review Group Report

It was agreed that the Review Group would complete the Review Group Report at the next meeting on 03 November and submit the report to the November UNC Panel Meeting.

3. Diary Planning for Review Group

10:00 Tuesday, 03 November 2009, Ofgem, Millbank.

4. AOB

None

ACTION LOG – Review Group 0245

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0245 0013	18/05/2009	2.2	Review Group to consider a minimum set of rules for gathering evidence of theft, the key communication processes and what type of data is required in DN emergency procedures.	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	Complete
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	Complete
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)	Complete
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	Closed
RG0245 0033	15/06/2009	2.1	DNs to consider data items required by Shippers/Suppliers.	DNOs	Closed
RG0245 0034	15/06/2009	2.1	RR to provide an iGT view on the reasonable endeavours scheme.	Envoy Metering (RR)	Carried Forward

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0245 0034b	14/09/2009	1.2	Ofgem to clarify whether iGTs have a Reasonable Endeavour Schemes in place.	Ofgem (CW/AW)	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)	Complete
RG0245 0040a	12/10/2009	1.2	xoserve / Transporters to consider the process flow diagram for the management of Shipperless sites and provide a response.	xoserve (AJ) Transporters	Pending
RG0245 0040b	12/10/2009	1.2	The Review Group to report to capture the right for Transporters to disconnect customers that have not made reasonable endeavours to secure a registered supplier.	Review Group	Pending
RG0245 0040c	12/10/2009	1.2	Transporters to advise the impacts of mirroring the GSMR for service disconnection following a meter removal for a process live service with no meter fitted within 12 months.	Transporters	Pending
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	Complete
RG0245 0046b	12/10/2009	1.2	xoserve to provide a breakdown of the 20% unconfirmed sites.	xoserve	Pending
RG0245 0051	10/08/2009	2.1	SM to present some potential solutions for incentive payments using a weighting scheme.	SM	Carried Forward

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
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)	Complete
RG0245 0053	14/09/2009	2.1	All to provide feedback /comments to Adam Frak by 30 September 2009.	All	Complete
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)	Carried Forward
RG0245 0055	14/09/2009	2.2	Ofgem to confirm which Supplier Licence condition relates to theft	Ofgem (CW/AW)	Complete
RG0245 0056	12/12/2009	2.1	All Transporters (including iGTs) to consider the inclusion of upstream theft and how Transporters would contribute to the funding of the service. Shrinkage impacts will also need to be considered.	Transporters	Pending
RG0245 0057	12/12/2009	2.1	AJa to clarify the complex costs statement within her presentation and what this relates to.	SSE (AJa)	Pending
RG0245 0058	12/12/2009	2.1	All to consider and provide a response to the set scheme.	All	Pending
RG0245 0059	12/12/2009	2.1	All parties to consider the appropriate governance.	All	Pending
RG0245 0060	12/12/2009	2.1	AJa and DW to provide summary of single RPU and set scheme for insertion within the Review Group Report	SSE (AJa) and British Gas (DW)	Pending