

Minutes Development Work Group 0277
Creation of Incentives for the Detection of Theft of Gas
(Supplier Energy Theft Scheme)
10:00 Wednesday 30 June 2010
Renewal Centre, Lode Lane, Solihull

Attendees

Bob Fletcher (Chair)	BF	Joint Office
Helen Cuin (Secretary)	HC	Joint Office
Alison Jennings	AJ	xoserve
Andrew Wallace	AW	Ofgem
Anne Jackson	AJa	SSE
Bali Dohel	BD	Scotia Gas Networks
Chris Warner	CW	National Grid Distribution
Danielle King	DK	E.ON UK
David Watson	DW	British Gas
Joanna Ferguson	JF	Northern Gas Networks
Joel Martin	JM	Scotia Gas Networks
Lorraine Kerr (Teleconference)	LK	Scottish Power
Phil Lucas	PL	National Grid Distribution
Simon Trivella	ST	Wales & West Utilities

1. Introduction

1.1. Minutes from the previous meeting

The minutes from the 22 March, 27 May 2010 and 08 June 2010 were approved.

1.2. Review of actions from previous meeting

Action DG0277 009: British Gas, xoserve and Transporters to finalise invoicing arrangements prior to xoserve being asked to prepare a ROM.

Action Update: DW confirmed that is in discussion. **Carried Forward.**

Action DG0277 010: British Gas to amend the Business Rules in light of the discussion.

Action Update: DW confirmed that some amendments were made at the previous meeting, however further amendments may be required dependant on the above action. **Carried Forward.**

Action DG0277 011: All to provide comments on the draft Development Work Group Report published at www.gasgovernance.co.uk/0277/210710.

Action Update: See item 2.0. **Ongoing.**

Action DG0277 012: Joint Office to arrange meeting on 30 June.

Action Update: **Complete.**

2. Development Work Group Report

AW questioned the Modification Proposal obligations around must inspect obligations, Ofgem believed that the must inspect obligation included an obligation to detect tampering as theft 12.13(b).

PL provided some comments on the proposal highlighting that the proposal should be for Shippers not gas suppliers, the business rules state there should be an audit however the proposal does not, the cost of administering scheme needs clarification, the mechanism which the Transporters recover costs needs confirming, and the windfall avoidance for legal text needs to be a capped amount and needs to be in the modification. AW also asked about the costs of an audit.

Action DG0277 013: Consideration to be given on the audit process and its administration costs.

AJ provided an update on the exclusion of shippers/suppliers from the scheme with a small portfolio and no theft. She explained that by applying a 4 decimal place rule to market share this would result in 9 shippers/suppliers that could be excluded.

AW questioned the value of the scheme and how British Gas had set the value at £8.74m, he requested more context and justification as to why this was the right level, questioning if the scheme could cost less. He was keen to understand why the British Gas model was appropriate for the industry. AW's aspiration was to demonstrate that the costs are reasonable and are excessive when compared to the value of its deterrence.

DW explained that until the industry can better gauge the value of theft stolen, though a judgement needs to be made on the value of the scheme and that the provided value is based on the investment currently made by British Gas. The value has been provided by using British Gas costs and making some proportionate assumptions across the market, it is expected that parties will make judgements based on the type of portfolio they hold.

Action DG0277 014: DW to provide Ofgem with more context and justification around the value of the scheme.

Action DG0277 015: Consideration to be given on the scheme funding and charging process

AW asked about the restrictions being placed on British Gas for 2 years and whether it is possible to discriminate in these circumstances. A discussion took place on the ability to exclude a named party within the UNC and there was a general view that it should not cause an issue. AJa suggested having a scheme with no value associated allowing a period for all parties to get up to speed with the operation of the process, this would provide an indication of percentage of cases per Shipper and the ability to consider an appropriate overall scheme value.

It was agreed that the comments would be considered and the necessary amendments made to the proposal.

Whilst considering the relevant objectives within the Development Work Group Report. AW asked how the proposal improved the detection of upstream theft. DW explained that it is possible to detect upstream theft whilst Shippers are investigating potential cases and could inevitably discover upstream theft. DW explained how upstream theft would be reported to the Transporter for the Transporter to act upon. It was agreed to bring this point out in the drafting of the proposal.

Having considered the Proposal and the relevant objectives within the Development Work Group Report it was agreed to amend the proposal and provide a Draft Work Group Report for parties to provide comments on for further consideration on 21 July 2010.

3. AOB

None raised.

3. Diary Planning for Development Group

Wednesday 21 July 2010, 10:00, Renewal Conference Centre, Lode Lane, Solihull, B91 2JR

Tuesday 03 August 2010, 10:00, Solihull venue to be confirmed

ACTION LOG – Development Group 0277

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DG0277 009	29/04/2010	2.2	Finalise invoicing arrangements prior to xoserve being asked to prepare a ROM	British Gas (DW), xoserve (AJ) and Transporters	Carried Forward
DG0277 010	29/04/2010	2.2	Amend the Business Rules in light of the discussion	British Gas (DW)	Carried Forward
DG0277 011	29/04/2010	4	Provide comments on the draft Development Work Group Report published at www.gasgovernance.co.uk/0277/210710	All	Ongoing
DG0277 012	29/04/2010	4	Arrange meeting on 30 June	Joint Office (HC)	Complete
DG0277 013	30/06/2010	2	Consideration to be given on the audit process and its administration costs.	British Gas (DW)	Pending
DG0277 014	30/06/2010	2	DW to provide Ofgem with more context and justification around the value of the scheme.	British Gas (DW)	Pending
DG0277 015	30/06/2010	2	Consideration to be given on the scheme funding and charging process.	British Gas (DW), xoserve (AJ)	Pending