

Draft Review Group Report
Review Proposal Reference Number 0245

Review of arrangements regarding the detection and investigation of Theft of Gas
Version 0.9

This Review Group Report is presented for the UNC Modification Panel's consideration.

1 Review Proposal

British Gas raised Review Proposal 0245, for which the Terms of Reference are in Appendix 1.

2 Review Process

In accordance with the Modification Rules, at its meeting on 16 April 2009, the Modification Panel determined that this Review Proposal should be referred to a Review Group for progression. This Review Group Report was subsequently compiled by the Joint Office and approved by Review Group attendees.

3 Areas Reviewed

a) Industry Best Practice relating to the successful management of Theft

The Review Group investigated best practice for the investigating, detecting and collection of data in instances of Theft of Gas. Best practice examples and documents used in the electricity industry were provided by the UK Revenue Protection Agency for review and to identify learning which could be used in the Gas industry. The Review Group considered there was merit in the adoption of common standards for investigating theft in both the gas and electricity industry but were mindful of the differences of responsibilities between licensed parties in the relative industries.

The Review Group recommended six elements any resulting Best Practice document should contain:

1. Make safe. Where theft is discovered and the meter or pipework has been interfered with, the supply should be disconnected immediately.
2. Costs are to be borne by those that steal. Suppliers should pursue the thief for the assessed value of gas stolen and the costs of the associated investigation.
3. Ensure no illegal reconnection. Suppliers should revisit a premises where theft has been detected within a reasonable period of time in order to ensure the customer has not committed a subsequent act of theft.
4. Collect and report data. When theft is detected, it is important that information relating to that detection is shared throughout the industry (*see section on information sharing for more details*).
5. Networks collate and issue data. Once data is collected, it is important that it is then collated in to usable reports and provided back to the industry (*see section on information sharing for more details*).
6. Enable theft reporting. Suppliers should provide and advertise the means for members of the public to report theft. The Review Group recommends the national gas emergency number 0800 111 999 could be used for this purpose, and that suppliers should be obliged to advertise either this number, or another dedicated line provided by them, for this purpose. The group acknowledged that any advertising material using the 0800 111999 number should be discussed with Transporters prior to its publication to ensure the resource impacts are properly managed. The Review Group considered it was inappropriate to promote email or websites as a means for consumers to report theft of gas allegations as there is no opportunity to assess risk and whether an emergency job should be raised for attendance to the address.

The Review Group also considered that the creation of a Stolen Meters Register may be beneficial in determining whether a meter found on site was being used in the act of Theft or was there for genuine reasons, but would need to see evidence that the costs of maintaining such a register were not greater than the benefit it would deliver.

The Review Group also recommended that all reports of potential theft of gas made to the Transporter, through the 0800 111999 number or otherwise, should be notified to the registered supplier regardless of the outcome of any safety visit made by that Transporter. They considered that instances where no theft was found, or where no access was gained were still of interest to supplier.

The Review Group considered that any resulting Best Practice document should be mandatory, and should reside under a governance framework with assurance processes in order to ensure compliance. Long term governance of the Best Practice document is subject to the adoption of a suitable incentive scheme, the arrangements put in place for its management and whether it is a joint electricity/gas scheme.

Questions still to be considered in the report:

- I. Whether there should be a set of agreed principles or guidance for the calculation of stolen energy following a detection of theft.
[Confirm if there are existing guidance documents possibly published by Ofgem and/or other parties. This topic is to be discussed at next xoserve/shipper operational meeting planned for September.]*

b) Flow of Information

The Review Group considered the flow of information between parties involved in new connections, installing meters such as UIPs and MAMs and managing connections to networks, whether DNOs or iGTs. On the whole the Review Group concluded parties managed their respective processes but there were elements of the process which were disjointed with no overall coordination of the flow of information. In particular this related to the flow of site information and meter fit reports from the UIP to the Transporter. Incorrect information, whatever the cause, may lead to theft. Where an error or issue was found such as wrong meter details, incorrect address or MPRN information, it was difficult to coordinate a correction due to the different responsibilities of the parties involved.

In relation to new build scenarios, the Review Group concluded issues relating to the flow of information between UIPs/GTs was outside the scope of this report

The Review Group is concerned there is a practice by some meter installers who install meters at the request of a consumer. However, the meter installer does not contract for its on going rental with the consumer and wait for a gas supplier to be identified. In some examples, consumers offtake gas and suppliers/transporters maybe unaware a meter has been installed and gas is being used. No-one is monitoring these sites with the potential for them to be burning gas indefinitely with no resolution. The Review Group recommends this practice is discouraged and that as a minimum the ongoing rental costs of such meters should be borne by the consumer requesting the work unless a supplier agrees to take over the meter rental at the time a supply contract is put in place.

The Review Group considered what information should be collected and the methods of capture in instances where theft is suspected or identified at a particular site. There was a consensus that digital cameras should be used by all parties who attend site and suspect or discover theft of gas and photographic evidence should be provided with all theft of gas reports.

The Review Group recommended the following list of items should be recorded on site or soon after once the information is available:

- Who made the detection (market participant ID);
- Where the detection took place (MPRN, postal address);
- The type of theft detected (nature of tampering / bypass);
- When the detection was made (date);
- Assessed value of the theft (monetary value or quantity stolen);
- Stolen meters register, incl, meter technical data, location where stolen meter found / taken from, date meter found / identified as stolen (as per description).

The Review Group considered that this data should be submitted by shippers following a detection to a party who could centrally collate the data and then disseminate it back out in report format so as to inform proactive theft strategies. The mechanism (e.g. ConQuest) through which this data should flow between parties was not agreed upon.

The Review Group considered reports should not be anonymous where related to shipper performance for the management and investigation of theft as this will aid transparency of parties performance and encourage accountability.

The Review Group were mindful of an issue created when a Supplier requests the creation of an MPRN using the Code 12 process. The process used by xoserve creates the MPRN on a DNO network if the iGT information for the site is not showing on their systems. This is outside the scope of the Review Group to resolve and it is recommended xoserve and iGTs meet to identify a resolution to the issue.

Questions still to be considered in the report:

II. What solution should be put in place for those sites where the customer has had a meter fitted to a service pipe and has not registered themselves with a shipper.

[Process being developed by SM/DW – discuss at the next meeting 12/10]

III. Proposals to manage Customers who switch supplier within 28 days of receiving a bill for assessed energy from the Supplier following a theft detection. Currently the Supplier cannot take action or object to the transfer until 28 days have elapsed meaning disconnection and / or charges may not act as a deterrent. [DW to challenge legal advice provided on creation of a “Thieves Register”, along the lines of credit reference agencies work.]

c) Shipperless Sites

The Review Group investigated the Shipperless sites process managed on behalf of DNOs by xoserve. A Shipperless site is where a live supply is present at a site without a registered shipper.

The Shipperless sites process was changed in early 2009 pursuant to a recommendation from the shipperless and unregistered sites workgroup from a proactive approach where letters were sent to property owners requesting they arrange for a supplier for their premises or confirmation no gas is being used on site, to a process where xoserve record a list of shipperless sites and remove the sites from the list once they receive confirmation a shipper has confirmed the site. Experience shows 85% of shipperless sites change status within 12 months.

The Review Group agreed that the current arrangements for disconnecting shipperless sites with “live supply, meter fitted” was not fit for purpose, and needed to be changed. The

Review Group also found that there was little or no incentive on industry parties to invest in resolving shipperless sites which could be deemed to be stealing energy.

The Review Group also acknowledged that “live supply, meter fitted” may be a legitimate state for a shipperless site to be within. However, once a reasonable level of communication had taken place with the consumer without them rectifying the situation, it should be defined as theft.

The Review Group accepted that Transporters have a right to disconnect sites for improper use of gas courtesy of Clause 18 of the Schedule 2B of the Gas Act 1986, but that in order for them to exercise this right, a process would need to be created which ensured the consumer had been provided with reasonable opportunity to register themselves with a shipper (and therefore be committing theft). *[process being developed by SM/DW.]*

The Review Group acknowledged that if a mechanism could be found for an industry party to retrospectively charge the consumer for any energy consumed whilst they were shipperless should provide the appropriate incentives for parties to invest in resolving the issue. The Review Group received conflicting legal advice on this issue, with some members agreeing that either Clause 9 (1) or (2) of the Schedule 2B of the Gas Act 1986 provided network owners with the right to retrospectively charge for energy consumed on shipperless sites, and some of the group saying that the position was either unclear, or that the network owners had no such right *[legal advice to be provided by DW and discussed]*.

The Review Group considered the various states of shipperless sites and agreed that “live supply, no meter” is a legitimate state for a supply point to be in. However, the Review Group recognised that as there is no monitoring of these sites once the supply is made live, and considering the end users ability to procure and fit a meter themselves, there is a risk that these sites are in fact committing theft.

The Review Group also considers there is merit in seeking a review of the Gas Safety (Installation and Use) Regulations to extend the current disconnection of a service pipe 12 months following a meter is removal. This requirement could be extended to service pipes installed where no meter is installed after a reasonable amount of time, the gas transporter takes steps to disconnect the service pipe and ensure gas cannot be offtaken illegally intentionally or not. Gas Transporters expressed some concerns with this recommendation as they currently have no powers to enforce such a disconnection, either through UNC or Gas Act, therefore a change is needed to legislation to enable Gas Transporters to take such steps.

Questions still to be considered in the report:

I. Potential remedies for live service no meter and no service no meter scenarios. [SM and DW considering]

d) Gaps in Incentives

- Supplier Energy Theft Scheme.
- National Revenue Protection Force

*I. Identify gaps in the current regime where the application of incentives may influence the management of theft.
[to be developed based on the incentive scheme proposals – consider if Modification Proposal is to be raised in the Review Group or as a separate Development Proposal.]*

e) Current Incentives

I. Existing Commercial incentives in a Suppliers business to protect revenue and existing.

Reasonable endeavours scheme is currently being reviewed – Modification Proposal 0231.

All parties have obligations for the safe management of the gas network.

f) Consider Definitions of Theft

The Review Group considered the basic definition of theft extracted from Theft Act 1968 and thought it was appropriate for its use in theft of gas.

Theft Act 1968 – definition of theft:

- (1) A person is guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it; and ‘theft’ and ‘steal’ shall be construed accordingly.
 - (2) It is immaterial whether the appropriation is made with a view to gain, or is made for the thief’s own benefit.
- g)** Consider the previous work of the ERA / ENA and identify if there are solutions within there which can now be taken forward to aid theft detection.

4. Recommendation

[The Modification Panel is invited to accept this Report, which identifies both the areas where consensus was reached and the areas where consensus was not reached].

Appendix 1

REVIEW GROUP TERMS OF REFERENCE

CODE REVIEW PROPOSAL No 0245

Review of arrangements regarding the detection and investigation of Theft of Gas

Version 2.0

Date: 26/06/2009

Background

There has been significant focus upon energy theft issues in recent years:

At the end of August 2006 the Energy Retail Association (ERA) and the Energy Networks Association (ENA) jointly established a workgroup to look at how participants in the gas and electricity markets might promote the detection, investigation and prevention of energy theft.

This joint ERA/ENA workgroup produced a final proposals document in June 2007, which was submitted to Ofgem. However since then few, if any, of the recommendations made by the report have been progressed.

British Gas has raised a separate Modification Proposal 0231 which seeks to make changes to the Reasonable Endeavours Scheme to reduce what it regards as a perverse incentive around the detection and reporting of theft.

In its Review proposal 0208, Corona Energy considered some of the impacts of theft within the context of Unallocated Energy; however the Review Group 0208 Report does not make any specific recommendations with regards to how theft should be tackled.

Proposal

British Gas proposed that a Review Group be established to undertake the following;

- Establish what best practice should be in terms of investigation, detection, data collection and reconnection.
- Establish whether there is benefit in the collection and exchange of information between parties regarding theft detection, and if so, what arrangements should exist to facilitate this.
- Consider whether the current arrangements for the resolution of identified shipperless sites are appropriate and identify any potential improvements.
- Consider the root causes which contribute to the volume of shipperless sites and suggest potential solutions.
- Review the current incentives and obligations on industry parties and consider whether they are effective and whether any perverse incentives exist, and propose remedies.
- Review the proposals made by the joint ERA/ENA workgroup and make recommendations as to how these should be progressed under the UNC.
- Identify any changes that could be made within industry arrangements that would result in better incentivisation of parties to investigate and tackle theft.
- Identify any changes that could be made within industry arrangements that would result in better

co-ordination of efforts made by different parties to prevent and detect theft.

- To consider what, if any, changes should be made to industry arrangements with regards to Revenue Protection activity, such as by the introduction of a code of practice, best practice guidelines or more formal governance requirements.
- Identify and document linkages between energy theft issues covered by the UNC, and such issues covered by other gas governance mechanisms (e.g. SPAA, licences etc).
- Provide high level recommendations for appropriate changes to those other regimes to assist in overall industry theft detection and prevention

Whilst the core function of a UNC Review Group is to consider changes that can be made to the UNC, this should not preclude the Review Group making suggestions or recommendations in relation to other governance structures where the subject under discussion spans multiple regimes. If the group is to make progress, membership will need to encompass all relevant areas, including non-code parties such as those involved in revenue protection activities and other governance bodies and administrators.

Review Group Terms of Reference

Background

There has been significant industry focus on theft of gas issues and how these processes should be managed and incorporate best practice. Recently review group 0208 identified a number of issues relating to theft of gas and modification proposal 0231 aimed to address some of these concerns. However, a number of issues identified by 0208 Review Group were outside the scope of UNC. This review group aims to address issues both inside and outside of UNC by including other non code parties within the review group.

Purpose

The aim of the group is to review industry processes that exacerbate theft of gas both within UNC and those outside that directly impact UNC. Where applicable, identify best practice which leads to the development and adoption of industry codes of practice which help to reduce the instances of theft of gas.

The Review Group is to consider the following Topics:

1. Industry Best Practice relating to the successful management of Theft
 - Identification of best practice in terms of investigation, detection, data collection and reconnection.
 - Including whether best practice should be mandated
 - Industry adoption
2. Flow of Information
 - What information currently is collected, exchanged, collated and made publicly available.
 - What information should be collected, exchanged, collated and made publicly available in order to facilitate theft detection.
 - Impacts of other regimes such as RGMA and SPAA
3. Shipperless Sites
 - Issues caused by current arrangements for the resolution of shipperless sites.
 - Root cause analysis on the causes of shipperless sites.
 - Management of orphaned sites
4. Gaps in Incentives
 - Identify gaps in the current regime where the application of incentives would influence the management of theft.
5. Current Incentives
 - Review current incentives on suppliers to detect theft and consider if these are appropriate.
6. Consider Definitions of Theft
 - Basic definition of theft extracted from Theft Act 1968

- (1) A person is guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it; and 'theft' and 'steal' shall be construed accordingly.
 - (2) It is immaterial whether the appropriation is made with a view to gain, or is made for the thief's own benefit.
7. Consider the previous work of the ERA / ENA and identify if there are solutions within there which can now be taken forward to aid theft detection.

Scope and Deliverables

The Review Group shall focus on changes to the UNC, but also identify where improvements could also be made to areas of governance outside of the UNC. Where appropriate, The Review Group will identify owners and actions for parties who can influence changes to industry codes of practice and processes, to ensure information flows more accurately and represent conditions on site.

The Review Group will aim to report its conclusions and recommendations to the September 2009 UNC Panel.

Limits

The Review Group will focus on developing UNC Modification Proposals that efficiently address any issues identified in a proportionate and cost effective manner. The Review Group will consider changes required to procedures and processes within UNC, however it will not develop changes for non code processes but will requests reports from review group members who can influence changes with the appropriate industry body.

The Review Group is to be mindful of related industry obligations, processes and previous reports:

1. ENA/ERA report on theft and its recommendations;
2. Connections processes;
3. Flow of information between UNC and non UNC parties;
4. Best practice for managing theft such as those practices recommended by the UK Revenue Protection Association;
5. Licence and Legal obligations.

Composition of Review Group

Since the potential impacts of the review group are wide ranging, members would be welcome from Transporters, Shippers, Ofgem, iGTs, IGEM, Meter Asset Managers (MAMCoP), Meter Readers, SPAA and Utility Infrastructure Providers.

Bob Fletcher (Chair)	Joint Office of Gas Transporters
Helen Cuin (Secretary)	Joint Office of Gas Transporters
Alan Dick	UK Revenue Protection Association
Alison Jennings	xoserve
Andrew Wallace	Ofgem
Anne Jackson	Scottish and Southern Energy
Bali Dohel	Scotia Gas Networks
Barry Cook	National Grid Metering

Chris Hill	RWE Npower
Colette Baldwin	E.ON UK
Dave Watson	British Gas
Erika Melén	Energy Networks Association
Gareth Evans	Waterswye Association
Hannah Mummery	Consumer Focus
Ian Smith	IGEM
Joanne Ferguson	Northern Gas Networks
Lorraine McGregor	Scottish Power
Phil Lucas	National Grid Distribution
Ralph Reekie	Envoy Metering
Richard Street	Corona Energy
Rosie McGlynn	EDF Energy
Sarah Westrup	GTC
Steve Gandy	E.ON UK / MAMCop
Steve Mulinganie	Onshore Consulting
Vanja Munerati	Ofgem
Simon Trivella	Wales and West Utilities

Timetable

It is proposed that a total period of 6 months be allowed to conclude this review.

Although the frequency of meetings will be subject to review and potential change by the Review Group it is suggested that the initial frequency of the meetings be monthly.

Meetings will be administered by the Joint Office and conducted in accordance with the Chairman's Guidelines.

Work Plan

Meeting	Date	Topics to be Discussed
1	20/04/09	Introductions and explore terms of reference
2	18/05/09	Approve Terms of Reference Flow of Information Shipperless Sites – session 1 Presentations by xoserve and ENA
3	01/06/09	Shipperless Sites – session 2 Best Practice Presentations by Revenue Protection Society and xoserve
4	15/06/09	Approve Terms of Reference Best Practice Shipperless Sites – incentives

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5	13/07/09	Gaps in Incentives – session 1 Incentives – Session 2
6	17/08/09	Gaps in Incentives – session 2 Incentives – session 2 Draft Report
7	14/09/09	Complete Review Group Report