MOD0277

Creation of Incentives for the Detection of Theft of Gas (Supplier Energy Theft Scheme) - Strawman Process and Business Rules

1   INTRODUCTION

1.1   This document has been drafted to support the development of [Modification Proposal 0277](). It does not form part of the Proposal itself, but the output from the discussion around it may be used to add more detail to the Proposal once it is formally raised.

2   BUSINESS RULES

The following business rules have been drafted to help set out the potential operation of the proposed SETS scheme.

2.1   The "Scheme Year" (the annual period within which the scheme operates) will commence at 0.00am 1st January and end at 23.59 31st December each year.

2.2   From the start of the scheme year, Shippers will report any theft detections to the Network Owners through their agent, xoserve, using the current Theft of Gas form within Conquest. MOD0277 will not change the data that must be submitted with each reported theft detection, nor will it introduce any obligations on the Network Owners or their agent to validate that data on receipt.

2.3   The Network Owners or their agent will log each theft detection made against the reporting Shipper.

2.4   Reports will be issued out to the Shipper population by the Network Owners or their agent immediately after the end of each quarter (31st March, 30th June, 30th September) which show the percentage market share of Supply Points which that Shipper has within it's portfolio at that point, and the percentage share of reported theft detections which that Shipper has made to that point in the year. The report will be anonymised in order to protect the confidentiality of market share data, although each Shipper will be told who they are in the report.

2.5   Immediately after the end of the Scheme Year (31st December), a final report will be issued to the Shipper population by the Network Owners or their agent which shows the percentage market share of Supply Points which that Shipper has within it's portfolio at the end of that year, and the percentage share of reported theft detections which that Shipper has made to the end of that year. The report will be anonymised in order to protect the confidentiality of market share data, although each Shipper will be told who they are in the report.

2.6   Credits and debits from the Scheme Year will be calculated from this end of year report for each qualifying Shipper (see paragraph 2.7) by the Network Owners or their agent. This will be done from the following formula:

$$(X*(STD / TTD)) - (X*SMS)$$

Where
X is the total value of the scheme, less Network Owner / agent and Auditor expenses.
STD is the volume of theft detections by the Shipper.
TTD is the total volume of theft detections in the scheme year.

SMS is the Supply Point market share of the Shipper expressed as a decimal

These credits and debits (the Provisional Assessment) will be communicated out to each individual Shipper by the Network Owner or their agent.

2.7   A "Qualifying Shipper" is one who has been active in the market throughout the Scheme Year, i.e. all Shippers who have not ceased nor started trading during the Scheme Year. This will ensure that those entering or leaving the market during a Scheme Year are not unfairly disadvantaged.

2.8   During the first quarter of the subsequent year, an audit will be completed on a sample of the theft detection claims made by each Shipper in the Scheme Year. Specifically the Auditor will have the power to select a sample of theft detections that Shipper has made during the Scheme Year, and assess in each case within the selected sample whether there is sufficient evidence held by that Shipper to demonstrate that a relevant offence took place under the Gas Act (1986).

2.9   The Auditor will prepare a report for the Network Owners and the Shipper in question which details their findings, including an assessment of whether each claim within the sample audited was valid or not. This report will be made publicly available.

2.10   Upon receipt of each audit report, the Network Owners will recalculate each Shippers Provisional Assessment such that an amount of theft detections submitted within the Scheme Year proportional to the amount of theft detections found to have been made erroneously during the audit are discounted.   This will use the following formula:

$$(X*((STD*SER) / (TTD*TER)) - (X*SMS)$$

Where
X is the total value of the scheme, less Network Owner / agent and Auditor expenses.
STD is the volume of theft detections claimed by the Shipper.
SER is the error rate for that Shipper during the audit expressed as a decimal.
TTD is the total volume of theft detections in the scheme year.
TER is the total error rate for the market during the audit expressed as a decimal.
SMS is the Supply Point market share of the Shipper expressed as a decimal

2.11   A working example of the correction described in paragraph 2.9 is given below:

- *Shipper A's total theft detections claimed within the Scheme Year = 1500.*
- *Audit sample was 100, of which 5 did not have sufficient evidence to demonstrate an offence under the Gas Act (1986). Failure rate of 5%.*
- *The Provisional Assessment made by the Network Owner or their agent should now be amended such that the total amount of theft detections claimed by Shipper A is reduced by 5%, to 1425.*
- *The figure of 1425 is then used to compare the Shipper's relative performance in relation to theft detections.*

2.12   Following the recalculation described in paragraphs 2.10 and 2.11, the Network Owners will calculate a final set of credits and debits for each Shipper (the Final Assessment), and issue an anonymised report to the industry setting out the final calculations. Each Shipper will be told who they are within the anonymised report.

2.13   The settlement of credits and debits will be done in the [event] invoice run in [date] each year.

2.14   For the avoidance of doubt, although the period of time between the start of the Scheme Year and the settlement of credits and debits is [months], the next Scheme Year will still commence at 00:00am on 1st January. This will effectively mean that the processes for two years' Schemes will overlap slightly.

3   PROCESS MAP

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                    ┌─────────────────────┐
                    │  Plan year starts   │
                    └──────────┬──────────┘
                               │
                               ▼
┌──────────────────┐   ┌──────────────────┐
│ Shipper detects  │──▶│ Details of theft │
│     theft.       │   │ submitted to     │
│                  │   │ xoserve          │
└──────────────────┘   └────────┬─────────┘
                                │
                                ▼
        ┌──────────────┐  ┌──────────────┐  ┌──────────────┐  ┌──────────────┐  ┌──────────────┐
        │ xoserve log  │  │ xoserve issue│  │ xoserve issue│  │ xoserve issue│  │ xoserve issue│
        │ and retain   │─▶│ end Q1 report│─▶│ end Q2 report│─▶│ end Q3 report│─▶│ end of year  │
        │ the details  │  │              │  │              │  │              │  │ report.      │
        │ of the theft.│  └──────────────┘  └──────────────┘  └──────────────┘  └──────┬───────┘
        └──────────────┘                                                               │
                                                                                       ▼
                                                                               ┌──────────────┐
                                                                               │ Audit        │
                                                                               │ completed on │
                                                                               │ sample of    │
                                                                               │ detections   │
                                                                               └──────┬───────┘
                                                                                      ▼
                                                                   ┌──────────────┐  ┌──────────────┐
                                                                   │ xoserve      │  │ Credit and   │
                                                                   │ calculate    │─▶│ debits issued│
                                                                   │ final credits│  │ out to       │
                                                                   │ and debits   │  │ parties.     │
                                                                   └──────────────┘  └──────────────┘
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