

Minutes Development Work Group 0277
Creation of Incentives for the Detection of Theft of Gas
(Supplier Energy Theft Scheme)
Thursday 04 November 2010
St Johns Hotel, Solihull

Attendees

Bob Fletcher (Chair)	BF	Joint Office of Gas Transporters
Helen Cuin	HC	Joint Office of Gas Transporters
Alison Jennings	AJe	xoserve
Alex Ross	AR	Northern Gas Networks
Anne Jackson	AJa	SSE
Chris Warner	CW	National Grid Distribution
David Watson	DW	British Gas
Joel Martin	JM	Scotia Gas Networks
Phil Lucas	PL	National Grid Distribution
Sasha Pearce	SP	RWE npower
Simon Trivella	ST	Wales & West Utilities

1. Introduction

1.1. Minutes from the previous meeting

The minutes from the previous meeting were approved.

1.2. Review of actions from previous meeting

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

Action Update: DW explained that the value of scheme is in line with British Gas RPU budget but due to commercial sensitivity this information would only be supplied to Ofgem. **Closed.**

Action DG0277 018: DW to contact Wales & West Utilities to seek an early view on legal text.

Action Update: ST confirmed that view is not currently available however a view would be sought upon finalisation of the business rules. **Closed.**

Action DG0277 019: DW to review the Proposal and relevant objectives and amend based on the comments received at the meeting.

Action Update: Following today's discussions the proposal requires further amendments and will need transferring to the amended Workstream Report.
Complete

Action DG0277 020: xoserve to provide a further breakdown of the ROM costs. Published. **Complete**

2. Review Group Discussion

2.1. Ofgem SETS 3 Year Scheme Simulation

DW explained the provision of windfall avoidance and how the windfall avoidance scheme would work, using six scenarios provided for use by the Workgroup.

DW explained the different scenarios taking into account the different speeds Shippers/Suppliers may need to establish a theft detection process. He also explained the different assumptions made with the fund payments for example i.e. using a roll over process whereby British Gas receive payment but have to pay back any excess into the scheme for the first three years. However, AJ expressed concern about the funds being carried over as if this increase the available funds in the subsequent years allowing British Gas to compete for a bigger pot as the scheme runs.

DW provided an illustration of how the carry over would work. He wished to make it clear that British Gas do not want to be accused of making a profit from the scheme this is not British Gas' intention. He suggested that due to the concerns raised British Gas could stand down from the funding and fund payments joining the scheme in the third year. This would allow parties who do not have an established RPU to establish a process and compete for a smaller pot of money for the first two years. This suggestion was considered a better solution to the windfall avoidance issue.

2.2. xoserve Cost Document

AJe provided a flow diagram on how xoserve would have to build a system for the SET scheme in line with the current business rules. AJe acknowledged that the business rules have been developed over time however she anticipated any further tweaks to the business rules would only require a tweak to the system build. She anticipated the system changes required would be relatively the same. However she had to put a caveat that she can't out rule a cost increase.

The auditor costs were discussed, it was anticipated that auditing costs might be in the region of £80k per year in addition to the operational costs.

PL asked about new entrants and how the scheme would accommodate these. Different scenarios were considered such as timing of the scheme starting, size on the entrants building portfolio and how the current rules discount smaller shippers from the scheme.

The consideration of conducting a DCA was given, it was generally accepted that a detailed cost analysis would not be requested at this stage. It was anticipated any cost changes were likely to be small.

CW suggested that the removal of the fund roll over process could make the process simpler and perhaps reduce the operational cost.

AJe anticipated that a full online solution would be available by 2012 with an interim offline solution to get the process running. Any system build could be undertaken in conjunction with the scheme commencement date.

DW explained that British Gas had undertaken some modeling to estimate the increase on detection and possible energy saving. He believed using the model that the annual detection would increase from 2017 to 3895, with an incremental benefit on misallocated energy.

DW believed there was a huge gap between British Gas and the next best performing Shipper for detecting theft. He confirmed that the next reporting performance rate was 4% compared to 51% by British Gas.

2.3. Modification Proposal and Business Rules

DW explained the recent amendments to the proposal following the last meeting and the feedback provided. These had been provided to xoserve in case of any changes were required to the ROM.

The changes are for additional clarity in terms of the process. Some further clarification was requested especially that there are no explicit legislative or UNC obligations in relation to theft detection on Shippers or Suppliers. DW agreed to amend the proposal further and to change the windfall avoidance part of the proposal to reflect earlier discussions.

AJ expressed concern about the reference to the NRPS and that the NRPS and SET scheme cannot run in conjunction. However, DW believed that the two schemes could run together and that the SET scheme could be amended to take into account of the NRPS should it be modified along the line suggested by British Gas. It was agreed to document the difference in opinion within the Workstream Report disadvantages section.

DW introduced an alternative to the SET scheme based on throughput as opposed to market share. With the scheme cost allocated on the volume of system throughput rather than by meter points. It was DW intention to raise this as a separate modification to be considered for consultation.

PL asked for clarification on the throughput and if this will be based on AQ within the business rules (aggregate AQ for qualifying small supply points).

BF also requested that the Business Rules be included in the proposal.

2.4. Development Work Group Report

Following the consideration of both proposals the Development Work Group Report was considered and amended. It was agreed that the amended proposal would be inserted into the report once it had been received from the proposer.

3. AOB

None raised.

4. Diary Planning for Development Group

No further meetings were planned.

ACTION LOG – Development Group 0277

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DG0277 014	30/06/2010	2.0	DW to provide Ofgem with more context and justification around the value of the scheme.	British Gas (DW)	Closed
DG0277 018	24/09/10	2.0	Contact Wales & West Utilities to seek an early view on legal text.	British Gas (DW)	Closed
DG0277 019	24/09/10	2.0	Review the Proposal and relevant objectives and amend based on the comments received at the meeting.	British Gas (DW)	Complete
DG0277 020	13/10/10	2.1	xoserve to provide a further breakdown of the ROM costs.	xoserve	Complete