

Theft of Gas Review Group (UNC0245) Minutes
Monday 10 August 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
Aaron Toussaint	AT	Consumer Focus
Andrew Wallace	AW	Ofgem
Anne Jackson	AJa	Scottish and Southern Energy
Bali Dohel	BD	Scotia Gas Networks
Chris Hill	CH	RWE Npower
Colette Baldwin	CB	E.ON UK
David Watson	DW	Centrica
Erika Melén	EM	Energy Networks Association
Keith Stout	KS	Fulcrum
Lorraine McGregor	LM	Scottish Power
Mark Woodward	MW	xoserve
Mike Gibson	MG	Gas Forum
Ralph Reekie	RR	Envoy Metering
Rosie McGlynn	RM	EDF Energy
Simon Trivella	ST	Wales and West Utilities
Steve Mulinganie	SM	UK Gas Industry Consultant
Vanja Munerati	VM	Ofgem

Apologies

David Perriam	DP	Wales & West Utilities
Joanna Ferguson	JF	Northern Gas Networks
Phil Lucas	PL	National Grid Distribution

1. Introduction and Status Review

1.1. Minutes from previous Review Group Meeting

The following amendments were requested:
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AW provided a quote from schedule 2b.11.3 which suggested a customer premise meter installation can be reconnected approved from with the consent of the disconnecting supplier ~~or an incoming supplier~~ or an incoming supplier.

The minutes of the previous meeting were then approved.

1.2. Review of actions from previous Review Group Meetings

Action RG0245 0008: Review Group 0245 to ensure the Theft of Energy Work Group recommendations is considered within the Review Group Report.

Action Update: BF confirmed that this will be reviewed at a suitable time. **Pending.**

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: It was agreed that a detailed list will be incorporated into the final Review Group Report. **Pending.**

New Action RG0245 0017a: xoserve to provide an anonymous Shipper report for CCAC invalid reasons and auto-closures.

Action Update: MW provided an anonymous Shipper report, comments were made about the high percentages for auto closures and invalids and whether the Review Group needed to consider this further. RM suggested that there may be operational issues surrounding the high percentages and that it may be best to consider the report within an operational meeting to go through the Theft of Gas process and ensure all Shippers are aware of the responsibilities. DW challenged the transparency of the report. It was acknowledged that this had been considered previously. It was confirmed that xoserve and Ofgem have the report by Shipper, therefore Ofgem are already aware of the performance. The benefits of a transparent report were questioned. RM suggested an end to end review is undertaken at a more appropriate forum to understand the reasons for auto closures, the percentage of invalids and how this could fit into the overall package to allow an informed discussion at the next Review group Meeting on 14 September. ST expressed concern that the Review Group may be dismissing the report. The auto closure statistics were discussed further it was acknowledged that some parties may not be as focused on the process as others. SM questioned if further detail can be provided to the report for individual Shippers, for example MPRNs to enable further interrogation. MW confirmed he would need to investigate this and that he was the appropriate contact within xoserve if Shippers wish to discuss the detail of the reports. **Complete.**

New 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. **Pending.**

New Action RG0245 0017C: All Shippers to provide a response to the valid, invalid and CCAC Theft of Gas Report at the 14 September meeting. **Pending.**

RG0245 0022a: Review Group to establish the legal boundaries of exchanging customer information and potential transfer objection routes for the Review Group Report.

Action Update: DW confirmed that he had provided a response for the Joint Office website regarding the exchange of customer information. See Action update 0022b.

Complete.

RG0245 0022b: DW to consider and provide an update on the collection of theft of gas data.

Action Update: DW provided a summary of British Gas's response; generally the information such as MPRN and postal address could be construed as personal information, however this could only be used for strategic purposes such as more frequent site visits and should not be used for setting customer charges ie. to request security deposits. It was accepted that the report could be produced without data protection issues as long as the information was not be used for customer blacklisting or for the uplifting of tariffs. DW was keen to include a recommendation within the Review Group Report that industry information is collated to allow strategic decisions to be made. KS questioned if this report was in effect the detail of valid Theft of Gas cases previously discussed within the valid, invalid CCAC report. It was agreed that this was a separate report with more granularity. AJa questioned what the report would actually

detail and whether a database/report would list valid theft cases as those only resulting in a prosecution, or all accepted theft cases (some of which may not result in prosecution). It was agreed that the scope of report would need to be considered further and whether non prosecuted sites could be included if not pursued through a court of law. The use of a database was considered and it was acknowledged that ConQuest could not be used for this purpose. It was also agreed that appropriate caveats need to be established to guide the appropriate use of the report. It was suggested that xoserve could manage a database. MW was unable to commit xoserve to managing a database for these purposes, he explained consideration would be given once xoserve had a full understanding of exactly what is required. It was agreed to include a recommendation within the Review Group Report. **Complete.**

Action RG0245 0028: Gas Forum to provide a summary of the code of practise key points.

Action Update: BF confirmed that the Gas Forum had provided a post meeting update on 14 July 2009. **Complete.**

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

Action Update: To consider at report stage. **Pending.**

Action RG0245 0030: British Gas to provide a legal view on the rights and entitlements to bill for used energy.

Action Update: DW confirmed a view will be provided at the next meeting. **Carried Forward.**

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: To consider at report stage. Also see item 2.2 Action RG0245 0051. **Pending.**

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

Action Update: ST confirmed that the Flow of data and future process to allow the flow of required data items will need to be considered when it is fully understood what items will be needed. **Pending.**

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

Action Update: RR requested that this action is carried forward. **Carried Forward.**

Action RG0245 0035: RR to provide a view on charges being passed through to iGTs for Theft of Gas and CO2 incidents in addition to those included in allowed revenues.

Action Update: RR requested that this action is carried forward. **Carried Forward.**

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

Action Update: DW confirmed that the process flow diagram is underway. It was previously agreed to include a reference to vulnerable customer measures. **Carried Forward.**

Action RG0245 0042: All to consider the best practise presentation provide by British Gas and provide views on the suggestions or any additional items which may wish to be included.

Action Update: DW again welcomed feedback or any additional items. **Complete.**

Action RG0245 0043: All to consider the ENA/ERA Codes of Practise documentation provided by Ofgem and provide any feedback for inclusion within the best practise.

Action Update: EM confirmed no further feedback had been provided to consider.

Complete.

Action RG0245 0044: xoserve to provide a breakdown of Orphaned Sites.

Action Update: MW provided the results from one MAM of the sites matched with “no activity”, this illustrated around 10% of sites are actually matched and suppliers are being invoiced by MAMs. Of the 10% matched activity 10% were legitimately unregistered.

MW provided a “no activity” sample checked by the UIP, this illustrated 68% had a live service and 18% were cancelled services. MW explained that MAMs are unable to provide xoserve the details of the suppliers being billed for matched sites due to commercial confidentiality restrictions. SM suggested that suppliers provide permission to the MAMs to release the information. **Complete.**

New 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. **Pending.**

Action RG0245 0045: All Shippers to consider the Governance of the xoserve Unregistered Site Meetings and provide a response.

Action Update: RM believed that better governance may be required for operational forums. It was suggested that a topic could be raised at the Governance Workstream to consider the formal reporting structure of operational meetings. LM asked how policy changes are progressed currently and whether this is only done with consensus. MW explained that Shippers are communicated with via their nominated contacts. It was agreed there would be merit in having more formal governance and that this needs to be a recommendation within the Review Group Report. **Complete.**

Action RG0245 0046: All Shippers to ensure attendance to xoserve Unregistered Site Meetings.

Action Update: MW confirmed the last meeting was better attended and earlier indications suggest a greater interest for the 10 September meeting. MW agreed to provide an update at the next meeting. **Complete.**

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

Action RG0245 0047: British Gas to produce a Strawman for an incentive scheme based on the recommended ENA/ERA Supplier Energy Theft Scheme

Action Update: See item 2.1. **Complete**

Action RG0245 0048: All to consider the pros and cons of the ENA/ERA Incentive Scheme for further discussion at August’s meeting.

Action Update: See item 2.1. **Complete**

Action RGF0245 0049: Transporters to confirm if there is any safety implications of a live service supply without a meter fitted.

Action Update: ST confirmed that there are no safety implications for a live service without a fitted meter. **Complete.**

Action RG0245 0050 All Members to confirm availability on 10 August.

Action Update: **Complete.**

2. Review Group Process

2.1. Shipper Incentive Scheme

DW provided a presentation including a strawman on how the Shipper Incentive Scheme could work subject to further review by the Group.

The formulas provided were discussed and concluded the scheme requires a description or definition of a theft of gas investigation.

DW explained that the value of the scheme needs to be sufficient to incentivise parties to undertake investigations.

SM questioned if this process is designed to cover the cost of administering Theft investigations. It was confirmed that this process is in addition to the reasonable endeavours scheme. It was suggested that the incentive regime is based on the number of detections to encourage active participation.

AW believed that the administration costs of the scheme should not be onerous, though the scheme should have a significant audit process which would have a cost element. The group considered who could administer the scheme, there was no adverse response to xoserve administering the scheme.

The scheme payment and reconciliation was considered and whether participants contribute to the scheme on day 1 or day 365. DW hoped the scheme wouldn't impact shipper cash flow with credits/debits paid accordingly at the end of the year. However, in doing this the administrator would incur administration costs before any payments were received and scheme administration charges may need to be recovered over the course of the year.

RM asked if Ofgem would be the arbitrator for approving the value of the scheme, DW explained that the value would need to be approved through the UNC Modification Process. RM expressed the importance of robust information provision to ensure the value of the scheme is set an appropriate value.

AJa enquired if Network Theft will be included within the scheme. ST confirmed that the Transporters have licence obligations to manage Network Theft and that further incentives were not required. AW questioned what the Network Theft incentive scheme would look like. Network Theft investigations were driven through license requirements price control incentives.

SM asked who would be responsible for determining valid / invalid claims. It was acknowledged Shippers currently self govern valid/invalid theft claims. It was agreed that the definition of theft and the level of evidence needs to be defined. It was also agreed that controls would need to be in place to prevent gaming.

The split between LSP and SSP was considered. Advance meters, AMR and DM sites were also considered and whether these need to be excluded from the scheme. DW explained the rational for initially excluding DM sites. SM thought there was merit in the same exclusion applying to DME sites and those sites with AMR/Advanced metering in situ.

DW provided an estimate of £10m for British Gas's costs for managing theft of gas investigations last year. He suggested this would represent approximately 40% of the market and anticipates the value of the scheme to be no less than £20m.

RM questioned how the scheme would manage contributions and ensure all Shippers opt in. LM suggested that the process may need to be reconciled on a more regular basis. DW welcomed the suggestion of quarterly reconciliation as this would allow better target monitoring by participating Shippers.

SM asked if it was worth considering the number of valid investigations against the total number of investigations. MW confirmed that the xoserve report produced for Action 0018a only includes number of valid investigations to enable the inclusion of volume. ST highlighted that the 3% LSP theft represents twice the market however the volume represents less than market share.

SM asked if Theft of Gas cases have been broken down by volume bands.

SM questioned if the scheme is allowing the recovery of administration costs, highlighting the basis of calculating the schemes value is based on administration costs. DW explained that the Reasonable Endeavours scheme allows the actual recovery of individual case costs, this is an incentive scheme to encourage detection. SM highlighted that the scheme value would be based on the collective administration costs plus uplift to provide an incentive.

The statistics for LSP site theft was discussed. It was highlighted that although there are limited LSP Theft cases, historically the gas volume on an individual basis is high. It was discussed whether a weighting system should be used to determine contributions to the scheme. ST highlighted the instance of where a Shipper with a portfolio of power stations would contribute to the scheme albeit minimal and not recover any incentive costs as there is likely to be no theft as these are generally DM sites and excluded.

It was agreed to consider a weighting system in more detail.

Action 0245 0051: SM to present some potential solutions for incentive payments using a weighting scheme.

British Gas requested a log of questions is made to assist the production of a draft Modification Proposal and for all to give some further consideration. The following questions were captured:

- What should be the scheme charge be? How should the administration and uplift costs be applied? Need to consider the element of service costs.
- Are there any lessons to be learnt from other incentive schemes?
- How should LSP Shippers be handled?
- Should there be one scheme or two schemes to manage LSP/SSP?
- Should there be a geographical or EUC band weighting?
- What theft detections should be included, prosecutions only?
- Who should administer the scheme?
- Who should audit the scheme and what level of scrutiny is required?
- What level of validation is required for theft cases?
- Could the reasonable endeavours scheme rules apply as a test for valid theft?
- How should DM and remotely read sites be managed?
- How do you manage non code suppliers?
- How do you manage iGT theft?
- Should Reconciliation be undertaken once a year or quarterly?
- At what point should scheme payments be made and should it be based upon the beginning or end of reconciliation period?
- If payments are made at the end of the scheme how are the administration costs going to be covered?

- At what point do you calculate the market share and should this be an average?
- How do you manage market entry and exit?
- How should the scheme be governed?
- What is the Risk assurance framework – what if Shippers do not pay in?
- How should dispute resolutions be managed?
- How should the scheme be audited and who by?

2.2. Review Group Report:

The Review Group Report was considered and a number of questions contained in the report were updated for review at the next meeting.

The reporting of Theft of Gas via the Emergency Number 0800 111 999 was discussed. DW was keen to understand the script for Theft of Gas Reports and whether this was different to the standard script for third parties reporting the smell of gas. He believed that the reporting party may be deterred from reporting a suspected theft case if they have to leave a contact name, he wished to understand if such reports could be left anonymously. The standard script was discussed however it was unclear if this differed for varying scenarios. MG highlighted that the UKRPA receive anonymous Theft of Gas Reports. The process for reporting potential theft of gas was considered. It was agreed that as all theft cases have safety implications that all cases should be reported to the Gas Emergency Line and that a website or email process may not be a suitable option for reporting potential cases considering the potential safety implications.

Action RG0245 0052: ST to confirm Emergency script for potential theft of gas reporting.

The Flow of information between industry parties, who has rights to information within the theft of gas process and the scope of information flows was discussed. It was questioned who are the parties within the chain for Shipperless sites, how should information be communicated to all parties. Information between GTs and UIPs for new builds was considered out of scope of this Review Group.

The solutions for Shipperless sites were also discussed. It was questioned what process should be in place for live services without a meter fitted with the potential for a customer to fit their own meter, what should the process be to monitor live service no meters, should a service be disconnected after a suitable lapse of time without a meter? What happens for failed site registrations? DW and SM confirmed that this will be considered within the Shipperless Process flow diagram.

KS questioned the practice of some Suppliers who are requesting xoserve to create an MPRN on a DNO network, when the physical location is on an iGT site. MW confirmed that there is an ongoing review process to make iGT MPRNs more visible earlier within the process.

3. Diary Planning for Review Group

It was previously agreed that six sessions would be required to consider all the topics.

18 May: Flow of Information (xoserve presentation). Current management of shipperless sites (xoserve presentation). Recommendations from the Theft of Energy Work Group (ENA). **Complete**

01 June: Shipperless sites – route cause analysis and Best Practises. **Complete.**

15 June: Terms of Reference. Shipperless sites – action review and incentives (current incentives and gaps incentives). Best Practise. **Complete.**

13 July: Shipper incentive scheme, Best Practise. **Complete.**

10 August: Shipper incentive scheme. **Complete.**

Planned Meetings:

10:00 Monday, 14 September 2009 at Ofgem, 9 Millbank, London

10:00 Monday, 28 September 2009 at Ofgem, 9 Millbank, London

4. AOB

None

ACTION LOG – Review Group 0245

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0245 0008	18/05/2009	2.1	Review Group 0245 to ensure the Theft of Energy Work Group recommendations are considered within the Review Group Report.	All	Pending
RG0245 0013	18/05/2009	2.2	Review Group to consider a common set of rules for gathering evidence of theft and the key communication processes required.	All	Pending
RG0245 0017a	13/07/2009	1.2	xoserve to provide an anonymous Shipper report for CCAC invalid reasons and auto-closures.	xoserve (AJ)	Complete
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	Pending
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	Pending
RG0245 0022a	15/06/2009	1.2	Review Group to establish the legal boundaries of exchanging customer information and potential transfer objection routes for the Review Group Report.	All	Complete
Rg0245 0022b	13/07/2009	1.2	DW to consider and provide an update on the collection of theft of gas data.	British Gas (DW)	Complete
RG0245 0028	01/06/2009	2.3	Gas Forum to provide a summary of the best practise key points.	Gas Forum (DT)	Complete

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0245 0029	01/06/2009	2.3	Review group to consider the governance of code of practice documents	All	Pending
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)	Carried Forward
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	Pending
RG0245 0033	15/06/2009	2.1	DNs to consider data items required by Shippers/Suppliers.	DNOs	Pending
RG0245 0034	15/06/2009	2.1	RR to provide an iGT view on the reasonable endeavours scheme.	Envoy Metering (RR)	Carried Forward
RG0245 0035	15/06/2009	2.1	RR to provide a view on charges being passed through to iGTs for Theft of Gas and CO2 incidents considering any price control regulations.	Envoy Metering (RR)	Carried Forward
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)	Carried Forward
RG0245 0042	15/06/2009	2.4	All to consider the best practise presentation provide by British Gas and provide views on the suggestions or any additional items which may wish to be included.	All	Complete
RG0245 0043	15/06/2009	2.4	All to consider the ENA/ERA Codes of Practise documentation provided by Ofgem and provide any feedback for inclusion within the best practise.	All	Complete

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0245 0044	13/07/2009	2.1	xoserve to provide a breakdown of Orphaned Sites.	xoserve (AJ)	Complete
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	Pending
RG0245 0045	13/07/2009	2.1	All Shippers to consider the Governance of the xoserve Unregistered Site Meetings and provide a response.	All Shippers	Complete
RG0245 0046	13/07/2009	2.1	All Shippers to ensure attendance to xoserve Unregistered Site Meetings.	All Shippers	Complete
RG0245 0046a	10/08/2009	1.2	xoserve to provide an update from the 10 September Unregistered Site Meeting.	xoserve	Pending
RG0245 0047	13/07/2009	2.2	British Gas to produce a Strawman for an incentive scheme based on the recommended ENA/ERA Supplier Energy Theft Scheme	British Gas (DW)	Complete
RG0245 0048	13/07/2009	2.2	All to consider the pros and cons of the ENA/ERA Incentive Scheme for further discussion at August's meeting.	All	Complete
RG0245 0049	13/07/2009	2.3	Transporters to confirm if there is any safety implications of a live service supply without a meter fitted.	All DN's	Complete
RG0245 0050	13/07/2009	3.0	All Members to confirm availability on 10 August.	All	Complete
RG0245 0051	10/08/2009	2.1	SM to present some potential solutions for incentive payments using a weighting scheme.	SM	Pending

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0245 0052	10/08/2009	2.2	ST to confirm Emergency script for potential theft of gas reporting.	WWU (ST)	Pending