

Modification proposal:	<b>Uniform Network Code (UNC) 574: Creating the permission to release supply point data to the Theft Risk Assessment Service (UNC574)</b>		
Decision:	The Authority <sup>1</sup> directs that this modification be made <sup>2</sup>		
Target audience:	UNC Panel, Parties to the UNC and other interested parties		
Date of publication:	20 October 2016	Implementation date:	To be confirmed by the Joint Office

## Background

In 2013, Ofgem implemented new licence conditions for gas suppliers to detect, prevent and investigate theft (Standard Licence Condition (SLC12A)). Contained within this condition is a requirement for gas suppliers to implement a service to assess the risk of theft of gas at consumer premises and help target theft investigations. To meet this condition, the industry procured a Theft Risk Assessment Service (TRAS), which went live earlier this year.

In order to assess the relative risk of energy theft at any given supply point, the TRAS requires access to certain supply point information. Gas Suppliers currently provide supply point data to the TRAS under the terms of the Supply Point Administration Agreement (SPAA). However, an additional requirement has been identified for the TRAS to obtain the comparable supply point data held by the Gas Transporters (GTs) in order to reconcile any differences between the two data sets. This would allow the TRAS to assess the completeness of the data, identify any inaccuracies and facilitate the resolution of any exceptions. This will improve data quality and facilitate increased accuracy in the theft risk assessments.

## The modification proposal

UNC574 seeks to grant the relevant permissions to allow the TRAS provider to specifically access:

- Meter Point Reference Number
- Meter Point Address and Postcode
- Meter Serial Number.

This would be an ongoing requirement, with data refreshes to be provided on a quarterly basis. In order to facilitate this requirement, UNC574 seeks to include the TRAS within the permitted uses of data under Section V of the UNC. It is noted that the TRAS service provider is already meeting data protection requirements, which documents in detail the steps that the TRAS provider takes to ensure robust data protection standards and procedures to safeguard all data received. These requirements are completed as part of the arrangements under the SPAA and its contract with SPAA parties. UNC574 proposes that the comparative dataset would be provided on a quarterly basis by GTs, for the sole purposes of fulfilling the TRAS arrangements.

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

## **UNC Panel<sup>3</sup> recommendation**

At its meeting of 15 September 2016, the UNC Panel voted by a majority that UNC574 would better facilitate the relevant objectives of the UNC and therefore recommended that it be implemented.

## **Our decision**

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 15 September 2016. We have considered and taken into account the responses to the industry consultation on the modification proposal which are attached to the FMR.<sup>4</sup> We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC;<sup>5</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>6</sup>

## **Reasons for our decision**

We have considered this modification proposal against relevant objectives d) and f), and agree with respondents and the UNC Panel that it is neutral in respect of the other relevant objectives.

### ***Objective d) securing of effective competition between relevant suppliers***

The FMR states that this modification will facilitate UNC relevant objective d) by better regulating against theft of energy, which has a material impact on energy consumers in terms of cost and safety. Theft also leads to a misallocation of costs among energy suppliers, which can distort competition and hamper the efficient functioning of the market.

We agree with those respondents who suggested that the provision of data to the TRAS will contribute towards fulfilment of supply licence obligations to detect, prevent and investigate theft of energy. Whilst the efficient discharge of suppliers' licence obligations is not of itself a relevant objective of the UNC, we further agree that the costs of theft would otherwise distort the accurate allocation of gas costs. Theft is considered to be one of if not the biggest contributor to Unidentified Gas usage, which is currently socialised. This reduces the extent to which efficient operators are able to pass through cost savings and therefore reduces competition based on price. Therefore, to the extent that UNC574 will contribute to tackling gas theft, we agree that it would better facilitate relevant objective d) of the UNC.

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<sup>3</sup> The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

<sup>4</sup> UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at [www.gasgovernance.co.uk](http://www.gasgovernance.co.uk)

<sup>5</sup> As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, available at: <https://epr.ofgem.gov.uk//Content/Documents/Standard%20Special%20Condition%20-%20PART%20A%20Consolidated%20-%20Current%20Version.pdf>

<sup>6</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986 as amended.

**Objective f) the promotion of efficiency in the implementation and administration of the uniform network code**

Noting that one respondent to the consultation believed that UNC574 would facilitate relevant objective f), some UNC Panel members agreed, commenting that it would confer the appropriate permission within the UNC for the data to be provided from an accurate source. However, some respondents suggested that as suppliers already have an obligation under the SPAA to provide this data, UNC574 would duplicate effort and add to a further regulatory burden, which could not be justified by the benefits gained under relevant objective d).

We consider that it is difficult to assess the potential benefits of UNC574 against relevant objective f) as the key efficiencies it may facilitate, i.e. to the TRAS arrangements, sit outside of the UNC. It is also difficult to consider what the counter-factual to UNC574 being implemented would be, as we do not think it likely that the status quo in terms of the provision and/or validation of data items would endure. For instance, it is possible that without the standardised provision of these three data items through UNC574, any discrepancies in the data provided to the TRAS by suppliers would result in individual queries to reconcile the data. That would seem to be less efficient than what is proposed.

Whilst we have sympathy with the points made about regulatory burden, given that the scale of gas theft is conservatively estimated to be over £100m per year we do not consider that the quarterly provision of data to help tackle this problem is disproportionate. Therefore, even taking a narrow interpretation of the potential efficiencies offered by UNC574, we consider the impacts on relevant objective f) would be at worst marginally negative, and substantially outweighed by the benefits it offers against relevant objective d).

**Decision notice**

In accordance with Standard Special Condition A11 of the Gas Transporters licence, the Authority hereby directs that modification proposal UNC574 'Creating the permission to release supply point data to the Theft Risk Assessment Service' be made.

**Rob Salter-Church**  
**Partner, Consumers and Competition**

Signed on behalf of the Authority and authorised for that purpose