

Andrew Wallace
Smarter Markets
Ofgem
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11th August 2014

Dear Andrew,

Ofgem: Moving to Reliable Next-Day Switching

The UKRPA welcomes this opportunity to respond to Ofgem's consultation on the changes to existing market arrangements intended to deliver a faster, more reliable change of supplier process. Our response focuses on the impact of next-day switching, with respect to those aspects that may affect the ability of energy companies to deal effectively with revenue protection matters.

The UKRPA is a trade association for parties involved in detecting and dealing with meter tampering and the illegal abstraction of electricity and gas, and for providers of products and services to those parties. The UKRPA currently has a total of 15 members working in both gas and electricity revenue protection areas across Great Britain, Northern Ireland, the Isle of Man and Jersey (covering large and small suppliers, networks, metering and data organisations).

The UKRPA is supportive of Ofgem's long-term vision for smarter energy markets. There are significant benefits to be recognised for both the consumer and the industry from improved data quality, reliable switching, improved energy efficiency and increased consumer engagement and, in particular, Smart Meters will provide tamper alerts to enhance the capability to detect energy theft as and when it occurs.

However, the UKRPA cautions against believing that smarter markets will 'solve' the theft problem. Whilst the flow of information within a smarter market environment should support earlier energy theft detection, the UKRPA believes that those who intend to interfere with their meter to steal energy will continue to do so.

Smarter markets will deliver much more information, quicker across the energy market. The challenge for companies will be how to respond to the wealth of data, including metering alerts, quickly and efficiently and to then be in a position to take action. For example, just because a smart metering tamper alert is triggered, does not necessarily mean that the meter has been illegally interfered with; it may simply be that the supply has been interrupted for other reasons. Decoding information/alerts from what is simply 'noise' versus that which requires specific action is not as straight

forward as it may seem. Furthermore, not all energy theft is associated with a meter (e.g. gas supply pipe bridges). That said, we believe that Ofgem's view that about 10% more energy theft will be discovered as a consequence of smart meters is reasonable.

It is against this backdrop that the challenges of dealing with energy theft within even greater time constraints, may exasperate the ability for energy companies to be able to deal with energy theft situations. Furthermore, those who are intent on stealing may believe that the next day switching capability provides greater opportunities to avoid detection and to frustrate any action that may have already started. For example, where a person interferes with their meter on day 1 and switches the next day to another supplier, they may do so believing that any meter alerts will be effectively lost (directed to an old supplier), with the new supplier being blithely unaware. Consequently, we believe next-day switching may introduce additional 'opportunities' to avoid energy theft detection.

The UKRPA acknowledges there are already difficulties inherent within existing market practices; for example, old suppliers today are frustrated from pursuing an investigation whenever a consumer switches. However, the difference today is the time it takes to switch, enabling more time to respond before the investigation thread is lost. And whilst new suppliers today will already be experiencing situations of 'theft inheritance' from old suppliers and be unaware that they have a consumer that is probably already interfering with their meter, faster switching may increase that inheritance.

Under the current switching timescales, and to a lesser degree under a switching period of 17 days (i.e. with the objections process intact), the potential loss of a customer acts as an alert to the old Supplier that any investigation already underway should be accelerated. With the accelerated process of next-day switching (and by inference the removal of objection processes), the advance warning and the possibility of the old Supplier concluding its investigation all but disappears. Where a customer has the theoretical ability to switch supplier on a daily basis, tracking and taking action against rogue customers becomes increasingly difficult under existing arrangements. This in turn increases the risks associated with meter tampering, including electrical fires, gas explosions and electrocution, and could result in an increase in the cost to the industry of energy illegally abstracted.

Fortunately, the move towards a Theft Risk Assessment Service (TRAS), may help identify theft situations, even when a selected theft situation switches between energy companies. It is hoped that faster switching and TRAS may complement each other. However, in the absence of the TRAS scope and what it will be empowered to undertake on behalf of the market (the TRAS tender is under development), it is difficult for the UKRPA to know whether the challenges of faster switching versus energy theft will be exasperated or managed.

We conclude by reinforcing the UKRPA's support for improved customer switching practices, however we recommend that Ofgem carefully consider the unintended consequences of moving to next day switching and what measures might be helpful to ensure that faster switching does not become a charter for more rogue consumers to game the market in order to avoid detection and action. Moreover, companies should be able (and be incentivised) to take action even when that customer is no longer a customer, but nonetheless is suspected of stealing energy. And in a

smart world, Ofgem should be considering how the Data Communications Company and TRAS should be required to cooperate, including via the exchange of market data and information.

Please do not hesitate to contact us if we can help further and we look forward to further engagement with Ofgem with respect to the ongoing smarter markets work, including the review of the Objection process expected in autumn 2014.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Thornton', written in a cursive style.

Tony Thornton – Chairman, UKRPA