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Dear Chiara,

Ofgem: Tackling Electricity Theft – The Way Forward

The UKRPA welcomes this opportunity to respond to Ofgem's final decision and Notice of modifications to the electricity supply licence, building on our August 2013 response to the initial consultation.

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 14 members, working in both gas and electricity revenue protection areas across Great Britain, Northern Ireland, the Isle of Man and Jersey (covering supply, networks, metering and data organisations).

There are a number of aspects to the final decision that are welcomed by the UKRPA; for example, we note that the delivery arrangements for electricity and gas are to be aligned, thus avoiding the pitfall of two wholly independent services being developed leading to a fragmented (and therefore more costly) solution. We believe this is a sensible and pragmatic approach that will help drive a single central service provision, able to leverage the energy theft detection read across between gas and electricity, as well as ensuring the most efficient outcome. Further, we welcome the inclusion of unregistered sites recognising this has been a long standing issue that needs proper focus brought to bear.

That said within the consultation (page 6) Ofgem makes reference to the *'Poor industry performance in tackling theft prompted our work to reform current regulatory framework'*. A statement of this nature without qualification is most unhelpful and fails to recognise both the complexity of the theft issue and the activities undertaken by UKRPA members. As a voluntary organisation, we share best practice, host seminars, convene national conferences, and take forward unique industry initiatives (such as the cooperative working with police on cannabis detection). Ofgem's reference therefore does a disservice to the combined efforts of all those companies that take their responsibilities very seriously, especially those under the UKRPA banner.

We have a number of other points to make with regard to the final decision, which we trust are helpful:

Licence Modifications

We appreciate that at this stage the opportunities for changes to the licence drafting are nominal. Nonetheless, we make the following key points:

- The Revenue Protection Code of Practice, developed under DCUSA arrangements (DCP054), represented a significant undertaking by industry. It is important that the licence conditions do not work against the grain of that code. For example, the code sets out details about repeat offenders and how safety is a critical objective when deciding what action to take and the proposed licence modifications seem to disregard such matters (see point below).
- Energy Theft has serious safety considerations, and yet, whilst the main consultation acknowledges the risks to customers as a consequence of tampering, no provision is made to take into account the safety factor within the draft licence conditions.

The UKRPA highlights that safety considerations have been excluded under Condition 12A.1 (the “Objective”). Central to the tenet of theft is the safety of the customer, and the UKRPA therefore recommends that Condition 12A.1(b) make such provision. For example, with wording to the effect of:

“(iii) takes into account the safety of the Customer in order to minimise the risk due to interference, danger or interruption of supply in accordance with any regulations as set out from time to time”

Furthermore, Condition 12 A.11 should make it explicit that safety is of paramount importance and that any obligations set out with regard to maintaining a supply should not take precedence where safety is of primary concern. In that regard, we recommend the inclusion of a further sub paragraph 12 A.11(i)

“The licensee must use all reasonable endeavours to ensure the safety of the Customer is paramount in the fulfilment of the Objective”

- Assessing ability to pay on a doorstep under very difficult circumstances such as theft interrogation is in practice very difficult to achieve, especially where the primary concern is for the customer’s safety. We have no evidence that Revenue Protection Officers are making inappropriate decisions, indeed to the contrary, they are best placed when on the door step to make the best (most well informed) judgement given all the circumstances, including their own well being. Imposing this obligation under such difficult circumstances could lead to unintended consequences whereby a customer is placed at more risk due to safety grounds than would otherwise be the case with a disconnection. We believe the above adjustment to Conditions 12A.1 and 12A.11 would help in that regard.
- Condition 2A.11 (d) makes mention of refraining from disconnection in the winter months; again we are concerned with respect to the primacy of safety. We believe the above adjustment to Condition 12A.11 would help in that regard.

- Condition 12A.11 (g) specifically references the customer when justifying culpability; however there is a difference between ownership and occupancy, i.e. tenants perpetrating a theft. If the tenant has perpetrated the theft, it is not unreasonable to disconnect where there is a safety risk. Again, please refer above to our suggested amendment to Conditions 12A.1 and 12A.11 to give safety more prominence.

Theft Risk Assessment Service (TRAS)

We welcome the introduction of the electricity TRAS Direction which has good alignment with the gas TRAS Direction. That said we are concerned that the treatment of incentives and performance for both gas and electricity should be harmonised as much as possible (we comment further below).

We very much suspect that, whilst it might be possible to have procured a central TRAS provider by Qtr 1 2015, achieving a fully functioning service remains challenging, i.e. may well be late 2015/early 2016 until realised. We would appreciate some clarification in this regard to help steer the procurement approach.

We are concerned that Distribution Networks Organisations (DNOs) may not be able to access information provided by the TRAS from implementation. We believe this warrants further reconsideration and more appropriate formal provision put in place.

Finally, there is a key question about how TRAS performance will ultimately be measured, especially given the uniqueness of the service (i.e. no comparators will exist). It will be important for this to be a key factor within the procurement phase.

Incentives

As we mentioned in our previous response, careful consideration must be given to the design and operation of any incentive mechanism. Poorly structured, the scheme could have detrimental impacts on the market which could lead to increased industry costs due to overly complex arrangements. This could mean that sharing information negatively impacts on a supplier's individual incentive capability, frustrating the development and communication of industry best practice. Socialising market intelligence must therefore be paramount, and Ofgem should avoid a situation where incentives drive behaviours that discourage intelligence sharing.

We believe the UKRPA, as a forum of best practice, could offer support in this regard, perhaps as a neutral party to oversee the effects of the incentive arrangements on market behaviours. Ofgem may wish to give this some consideration – we would be happy to provide advice on what is required to make this happen.

We do appreciate that the finer details of the incentive arrangements have yet to be worked out. The UKRPA would be keen to directly engage in that process; for example:

- Work that is carried on outside of the TRAS should not be frustrated and should be rewarded accordingly.
- What constitutes success and is applicable for payment? e.g. if unsealed equipment is discovered but illegal abstraction cannot be confirmed, how will this be rewarded?

- Whilst we broadly agree with Ofgem’s conclusions on ‘detection’ rather than ‘volume’ based incentives, we highlight that the detection of large scale cannabis farms could be disadvantaged. This has far ranging social and safety considerations, especially given the trend of increasing fires and violent crime due to cannabis cultivation. For example, the London Fire Brigade have advised UKRPA that fire incidents have doubled since 2010/11, almost all were within residential properties posing a serious risk to neighbours, and that cannabis fires involve significant fire fighting resource (on average four fire engines and over 20 fire fighters to bring under control).
- We welcome the recommendation to exclude DNOs from the proposed incentive scheme at this time, and to address issues relating to recovery of costs of investigation and detection during the RIIO-ED1 price control.

One particular area that warrants urgent review, albeit a matter that goes beyond the boundaries of the consultation, is with regard to the difficulties of de-energisation of electricity meters on safety grounds. The UKRPA highlights there are problems associated with immediately being able to de-energise and re-energise a meter at the point of a Supplier or its agents discovering a wiring defect at a customer’s property. We understand that, under the auspices of the Meter Operation Code of Practice Agreement (MOCOPA), steps have been taken to engage with the Health and Safety Executive (HSE) to secure revised guidance with respect to the Electricity Safety, Quality Continuity Regulations (ESQCR) on this matter. Until then, Ofgem might like to note that there are inefficient practices and difficulties associated with quickly making safe situations for customers, requiring double handling between Meter Operators (suppliers’ agents) and Distribution Businesses. Indeed, further complications can arise when it is the customer’s own installation that is at fault. We believe that the customer experience could be significantly improved if suppliers were given the proper authority to de-energise and re-energise on safety grounds at the point of discovery. Subject to the HSE ESQCR guidance, the UKRPA may wish to discuss further improvements with Ofgem.

We conclude by confirming the UKRPA and its members’ commitment to drive awareness and better practices. It is pioneering a number of initiatives, working with various organisations in a number of different capacities. In that regard, it has just launched a major social housing association interoperability protocol, providing support and assistance to housing association staff; focusing on awareness, safety, and improving the communications between housing associations and energy industry organisations. In June this year, we will be hosting our 13th national conference, attracting a wide range of participants across the whole gamut of revenue protection matters, with this year’s conference focusing on organised crime.

I trust our comments are helpful and please do not hesitate to contact us if we can provide any assistance in the development of an incentive scheme, especially if modification proposals to put into effect an incentive arrangements are not forthcoming.

Yours sincerely



Tony Thornton – Chair, UKRPA