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Chase Solutions (UK) Ltd

Response to Utility Regulator – Northern Ireland

Proposed transactional charges associated with
electricity metering activities

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Summary

The consultation document clearly includes areas affecting Distributor, Supplier and Customer in relation to the growing trend of meter tampering in the Northern Ireland electricity market. It is our view that a number of other areas could fall into the scope of this consultation document and these areas are covered within our response.

This trend of meter tampering mirrors the issues experienced on the mainland. Our experience of working on both sides of the water confirms the proportion of visits resulting in actual tampering, or suspicion of tampering, is proportionately higher in Northern Ireland than the mainland.

In 2006 significant work was undertaken on the mainland by the Energy Retail Association, with OFGEM through the Theft Incentive Development Group to propose a solution that addressed obligations in the supplier licence around investigation, detection and prevention of theft were balanced by an incentive for the supplier, rather than a penalty through the settlement process.

As a service provider we can only respond to the questions where we can add value from insight; however it is our belief that in relation to the key question regarding the levy and value of a Transactional Charges this cannot be answered in isolation. In addition to the Competition and Markets Authority final determination on RP5 there may be an opportunity for further discussion in relation to the cost incurred during an investigation, by both supplier and DNO where theft is found to have taken place or suspected as it is recognised that theft may be hard to prove and may not actually result in damage to a meter which is at odds with question 3.

As there is an incentive for the DNO on RP5 there should be industry commitment to review the industry benefits from the supplier actively seeking and preventing theft by ensuring there is economic incentive for optimal behaviour in the industry. Suppliers who are actively trying to address this issue should see some 'reward' for their level of additional activity.

Schemes like Reasonable Endeavours (ReDs) provide gas suppliers with an incentive to detect theft, where visit costs/investigation costs could be claimed through the scheme and the cost of any meter work undertaken by the DNO from the efforts of the supplier would need to be addressed within the scheme. Discussions on funding the scheme would need to consider proactive theft/visit costs, the settlement process and the subsequent re-charges on suppliers from imbalance.

One final observation is that on the mainland the supplier often undertakes Revenue Protection work, including warrants, using their own staff, or approved Agents and/or their own approved Engineers. In situations where theft is identified by the supplier there is a process in place for reporting this to the DNO and the DNO will dispatch an engineer within 4 hours to undertake the meter work and he/she would meet the supplier to disconnect/exchange the meter as appropriate and this removes the need through an adversarial situation and the cost of 2 engineers for one theft job.

Background Information

Chase Solutions (UK) Ltd is a Field Services company based in England, providing specialist Field Services across the Utility, Banking and Finance sectors. We operating throughout England Scotland, Wales and we have worked across Northern Ireland for over 15 years.

Over the past year we have utilised our established network of agents to provide Field services for a range of Energy Suppliers across the North, plus a leading Electricity supplier in the South of Ireland.

The business was founded in the late 90's to service the Utility sector upon de-regulation of the Gas market up to 2013 it was owned initially by a Bank, then a leading Debt Collection Agency before being bought out by the senior management team comprising of four individuals, two of whom are founding directors. The business is now privately owned and the directors work in the business day to day.

The business has a CSA Licence, BSI 9002 certification and Interim Permission from the FCA and is in the process of achieving a full Financial Conduct Authority Licence.

Chase has conducted both residential and business pre-disconnection visits, inspection visits, Theft and Abstraction and Prepayment Meter follow-up visits since the late 90's for Gas and the same visit in electricity since de-regulation of the market in the early 2,000's.

The Agents are all fully vetted and work off hand-held devices which receive and transmit data 'real time' and as you would expect are all fully trained in such areas as DPA, Ability to Pay and Vulnerability on the doorstep.

Chase has carried out Field related doorstep visits in Northern Ireland for over 15 years, using a network of Northern Ireland based Field Agents working across all areas within the North. Managed by a Northern Ireland based Operations Director and Management Team these agents are local men and women, who live and work within the community and are acutely aware of the challenges associated with undertaking 'Field Based' work in Northern Ireland.

Why are we qualified to respond?

After working across Northern Ireland for over 15 years we have a great deal of experience of conducting doorstep visits within the Country. Our Agents are vastly experienced local people and we have been using this same network of Agents to visit customers for a number of your leading Energy Suppliers.

The Directors of Chase Solutions all have a wealth of expertise in the Energy/Utility sector and our Operations Director; John Weldrake worked in Senior Management positions for 29 years for British Gas heading up national Revenue Protection Operations. He was a member of the OFGAS working party who developed the industry processes for 'Reasonable Endeavours' in the mid 90's his experience in this area can add value/provide insight to any discussions around theft.

Whilst at British Gas John was actively involved in a wide range of Revenue Protection activities associated with the prevention and detection of Theft (Gas) and Abstraction (Electricity). In the mid 90's when de-regulation opened the Gas marketplace and suppliers had obligations under their Licence conditions to 'identify and detect' theft it became evident that a process was needed to both 'incentivise and reward' all suppliers for this activity. not just the incumbent supplier who were the only ones with a infrastructure in place to detect theft so a working party was put into place to develop a process to address industry theft issues.

In 2006 he lead discussions with individual DNO's to bring Revenue Protection work in-house, this work having previously been with the DNO to investigate electricity theft. This then allowed the supplier to do initial investigation visits and only when theft was identified or suspected, was the DNO brought in to work on the meter.

We believe we can provide insight both as a service provider working in this area both on the mainland and in Northern Ireland and we would be more than happy to work with you the regulator, the suppliers and the DNO going forward in any way you feel may be of benefit.

We hope that our experience of the evolution of theft in the utility sector in England, Scotland and Wales can add value to the current and future discussions that may take place in Northern Ireland.

Consultation Questions

Q1. Equality impacts from this paper

N/A

Q2. The levy of a transactional charge and which party should be responsible for the charge

There is no simple yes or no answer to this question. Both supplier and distributor equally have a responsibility to 'detect, seek and prevent' theft under their licences and arrangements under RP5 are in place for the DNO, however anything other than a reactive approach will result in costs being incurred by the supplier, either directly if they undertake their own visits, or via charges from the DNO for Revenue Protection visits they undertake following on from leads generated by the supplier.

We believe that this question, along with Q3 should form part of a wider industry discussion around the strategy for theft, i.e. a reactive or proactive approach. It could include incentives for all parties to address theft without being penalised through transactional charges for in instances where suspected tampering cannot be proven.

In England Scotland and Wales a similar issue arose in the mid 90's in the Gas market and the Regulator OFGAS worked with all parties to develop a process called Reasonable Endeavours (ReDs) whereby the scheme allowed for a two part process to be put in place where the supplier could 'reclaim' (through the ReDs scheme) a) the cost of the investigation visit and b) the cost of producing the assessment of stolen usage. This provided an incentive for suppliers to manage the theft cases themselves.

In 2006, the electricity market experienced the same issue as Gas where theft was being identified but there was no scheme in place to incentivise suppliers. There was frustration from both the supplier and DNO with theft being identified but the settlement process not being utilised as it was intended in these situations.

It is our view that all parties should come together to shape a process that provides an incentive for the industry as a whole to actively seek, detect and prevent theft in the electricity market as this can only be of benefit to the end customer through price

Q3. Feedback as to whether the transactional charge should only be levied on **proven** instances of tampering and no such charges are levied until conclusive proof is obtained

In addition to Q2 we believe that it is not necessarily the correct approach to apply transactional charges on only proven instances of tampering as there are instances of theft that are difficult to prove and there has been no meter damage.

The levy of a transactional charge in these instances would only act as a reason not to investigate all but the most 'concrete' of leads. The correct behaviour that needs to be promoted is to investigate in all instances where the supplier believes there is information that requires follow-up activity.

There is a danger that any restriction on the follow-up of theft may lead to issues of safety for example where a lead may not be deemed to be 'gold standard' it is not followed-up but the customer is actually stealing electricity, but on an ad-hoc basis, by way of a method that is putting other members of the household at risk.

Any decision to only levy the transaction charge for proven cases of theft would also be flawed due to the variety of methods used by people to steal electricity. It is not always evident from meter testing that the meter has been tampered with as the meter test would be returned as negative and a transaction charge levied on the supplier if the method of abstraction was not specifically active or affecting the meter when the DNO visited the property

- Q4. The types of charges that should and/or could be recovered via transactional charges plus a breakdown of the elements within such charges and appropriate monetary levels for unit costs

N/A

- Q5. What measures should be taken to protect vulnerable customers in the context of meter tampering and transactional charges

Vulnerability has been a huge area of concern since the Bates case in England in 2004/5. Vulnerability however is not an excuse for people to steal fuel and as such it is not an acceptable reason we would not deal with a 'vulnerable' customer in the same way as any other customer.

In saying this we would need to qualify that an instance of theft and a vulnerable customer would need to be managed on an individual case by case basis, taking into consideration the specific vulnerability of the customer, or the wider household and disconnection of the supply for theft would be a last resort

- Q6. How a transactional charge should be treated and/or recovered should a customer be in the process of switching/have switched supplier

The levy of a transactional charge for meter tampering during the switching process may need to feed into a wider discussion on customers proven to have been stealing electricity who simply move from supplier to supplier to avoid detection. In the mainland there are rules around this area, including the period of assessment of usage for customers who have switched. Consideration may be given to the option of a transactional charge being issued as a 'one off' bill, separate from the consumption account that if not paid would allow follow-up action to be taken via Litigation in addition to the option of adding this to the principle consumption bill, or recovering the charge through a prepayment meter

Areas that are not covered by the consultation document

There are a number of areas we believe could be included in this consultation if the scope was widened from the current question of transactional charges. Other areas below would naturally fall into any future discussions on this subject matter.

1. Incentives for both suppliers and DNO to proactively seek and detect theft

This would be one of the most important areas, to ensure that all parties are working to a common goal where everyone is incentivised to 'seek, detect and prevent' theft and the end customer is provided with a quality service and costs that reflect the delivery of this service

2. Business Customers

A review of the charges or processes should include the business customer base as sectors within this market are proven to be high risk in relation to the theft of electricity and the same attention need to be afforded to this sector as with residential with the potential for losses being much higher than residential

3. Mixed usage sites supplied as commercial with a domestic element to the supply

As with 2) above mixed usage sites can represent a high risk category for theft and should form part of any future review

4. The use of meter security devices (clamps/collars/additional meter seals)

This may be an area worth exploring in more detail to see if there are any additional security measures/devices over and above those currently used as a matter of course

5. SMART Metering

Whilst we are not aware of any plans for the introduction of SMART metering in Northern Ireland this may be an area worth including in any reviews as SMART metering is being used in England, Scotland and Wales and it provides the facility to convert conventional meters into prepayment meters with a host of measures within the meter to report on consumption/usage and detect theft

6. Industry-wide incentives for the general public to report theft

This is an area where the supplier, DNO and customer can combine to assist in the detection and prevention of theft. Incentives can be provided to the general public to provide anonymous reporting of theft either direct to the supplier, DNO or some other body (to be defined). This has proved successful for all parties on the mainland as a valuable source of leads

Industry-wide areas for consideration with transactional charges

If there is to be a wider discussion on transactional charges and theft across the Industry the areas below could be included in that discussion. These areas impact on supplier, DNO and end customer where processes are not put in place to seek, detect and prevent theft.

A. Portfolio management both supplier and DNO

Experience on the mainland shows that both the supplier and DNO need to actively manage their portfolios to ensure that theft is kept to a minimum.

B. Sites with no supplier

Historically these sites can be a real problem for instances of theft where significant consumption can take place, often by multiple 'customers' before theft has been identified and by this time the 'customer' is long gone leaving usage that cannot be attributed to an individual. Recognised in RP5 but scope for proactive approach

C. Meter reading awareness of theft and reporting

Meter reading is one of the sources for theft lead generation on the mainland. It is essential that this area continues to provide leads and that the readers are fully aware of signs of that require follow-up action

D. Must Read follow-up

From the work we have undertaken this year many of the theft cases identified came from meters that have not had a physical read for some time. The requirement to obtain a periodic read is often difficult to balance against people's busy lifestyles and obtaining a warrant to read a meter is one of the last things a 'supplier' likes to do but this area is also one prone to theft. Alternative approaches need to be considered, including out of our visits to secure physical reads

E. Warrant activities

In relation to theft on the mainland the supplier will obtain the 'no notice' warrant of entry from the Magistrate or Justice of the Peace and they take control of the execution by booking a DNO engineer, or approved engineer and locksmith as appropriate.

Arrangements are made to meet at a designated time and place and depending on the circumstances of the individual job the supplier made take one or two of their staff or agents to meet the engineer and as a team they will complete the job.

We believe there is scope for a review of the warrant process in Northern Ireland for suppliers, or their agents, to take a lead role, working closely with the DNO.