



**Gas Forum**  
**National Revenue Protection Scheme Work Group Notes**  
**February 21<sup>st</sup>, 2011**

**Attendees:**

Colette Baldwin	EON
Ashley Collins	EDF
Lorraine Kerr	Scottish Power
Sacha Pearce	nPower
Anne Jackson	SSE
Cesar Coelho	Ofgem
David Watson	British Gas
Gareth Evans	Waters Wye for Total Gas
Andrew Wallace	Ofgem

**Notes:**

Reconciliation Models

The group re-capped on the reconciliation models discussed at the previous meetings.

Model 1 (full socialisation):

- This will be over and above what the consumer had already been charges by the suppliers during their period of tenure.
- The relevant suppliers would be allowed to keep their costs, in terms of additional gas and transportation costs over and above the consumption level AQ, which had been paid for due to the inflated AQ.
- The relevant suppliers would then be neutral to the cost of the theft.
- The remaining money would be held by the NRPS as a fund.
- If the recovered money was not sufficient to cover the relevant suppliers' costs, then the NRPS fund would cover the cost.
- If the fund has a net gain then the surplus could be redistributed according to RbD market shares or alternatively used to fund some of the NRPS activities.
- If the fund has a net loss then suppliers will be required to top up the fund according to RbD market shares.

Model 2:

- Each instance of theft found will be treated discretely / individually.
- The consumer will be billed for the period of the theft by the relevant suppliers at their relevant tariff.

- The relevant suppliers would be allowed to keep their costs, in terms of additional gas and transportation costs over and above the consumption level AQ, which had been paid for due to the inflated AQ.
- The remaining money would be held by the NRPS as a fund.
- If the recovered money was not sufficient to cover the relevant suppliers' costs, then the NRPS fund would receive no money and the supplier would not recover their costs.
- The relevant suppliers would not be neutral to theft on all occasions and non relevant suppliers would never pick up additional costs.
- If the fund has a net gain then the surplus could be redistributed according to RbD market shares or alternatively used to fund some of the NRPS activities.

A concern was expressed about the incentives on suppliers to recover costs knowing that their own costs would be covered first.

It was acknowledged that obtaining legal (Hogan Lovells or Wraggs possible Law firms), Consumer Focus and ICO review is still outstanding.

Under governance it was acknowledged that there are two possible solutions. These are to set up a new organisation with separate governance or to utilise existing supplier governance by having a new schedule in The SPAA (Supply Point Administration Agreement). It was acknowledged that Ofgem would play some part in the arrangements as it was generally felt that the arrangements could not be self governed.

**Action** AJ Speak to xoserve re use of the BTU form for SSP's.

**Action** Ofgem to produce examples of the 2 cost models via their modelling spreadsheet to be placed in the appendices of the NRPS document.

### Value of theft

Value of theft– elements included with the supplier tariff:

Energy	)	
Transportation	)	
Margin	)	TARIFF
Cost to serve	)	
Tax	)	

- additional elements to be charged on top of the tariff

Investigation costs	)
Recovery of monies costs	)
Physical works	)

- NRPS costs not recovered

Administration costs
Data analysis costs

Other possible alternatives to or inclusions in the two models might include:

- A change to the RbD process
- Use of the Mod 640 mechanism
- Do nothing (this option was deemed to be unacceptable)

### Governance

There is a wish to use the governance available currently, rather than introduce a new body.

- Governance via the UNC would place obligations on shippers.
- Governance via the SPAA would place on obligations on suppliers.

Ofgem believe that the SPAA is more appropriate, but recognise that there would need to be additional changes to those arrangements.

The Waters Wye governance matrix will be added into the final report.

### Timeline

Ofgem are indicating that they expect the NRPS to commence in 2012 and would like an indicative timeline indicating how the Industry would meet this expectation.

It was agreed that the plan will need to be revisited.

### Operating Model

The model diagram will be added to the report with an element by element definition for each box obtained from the RFI.

### Additional Report Headings

Costs

Benefits

### Performance

It was agreed that the base performance expected would be an extrapolation of BG's current performance. Performance would be reviewed after one year to set more relevant and realistic KPI's. It was felt that performance should exceed the base performance indicators but it is unknown to what extent.

The KPI's set would ensure performance is maintained and act as an incentive to the provider for certain targets to be reached (possible financial reward).

It may be possible to obtain benchmark data from Ofgem.

It was also agreed that whilst incentives are important it would also be a necessity to consider disincentives i.e. identify what they are and possible ways to remedy them.

**Action** Ofgem to provide the number of investigations that are currently taking place in relation to the number of thefts confirmed.

#### Future Meetings

*March 2<sup>nd</sup> 2011*

Reconciliation

Ofgem cost model

Mod 640 mechanism

BTU form

Project Plan

Governance

.

*March 10<sup>th</sup> 2011 (room required)*

Governance

KPI's

Draft report ( to be available)

Cost Benefits

Audit

*March 17<sup>th</sup> 2011*

Data Protection

Legal Issues

Wrapping up loose ends!

**Action** CB to make the draft report available in advance of the meeting March 10<sup>th</sup>.

**Action** LK to seek past information she is aware of regarding the BTU process

#### NRPS Scope

It was agreed that the NRPS would be interested in 'Revenue Protection' and would therefore include shipperless and unregistered within scope and meter errors within scope.

National Grid will be announcing a new process that it will be trialling to target unregistered sites.

**Action** AJ to publish NRPS project plan in pdf but with reduced pages!

**Action** All to consider the implications of socialising cots

**Action** All to consider the data protection issues.

#### Next Meeting

Wednesday, 2<sup>nd</sup> March at npwoer's offices, 77 Kingsway, London near Holborn tube.