

Modification proposal:	Supply Point Administration Agreement (SPAA) Change Proposal (CP) 12/226: 'Provisions for the Theft Risk Assessment Service (TRAS)'.		
Decision:	The Authority's ¹ decision is that this change proposal be made. ²		
Target audience:	SPAA Parties and other interested parties		
Date of publication:	15 March 2013	Date of Implementation:	18 March 2013

Background to the modification proposal

On 31 October 2012 the Authority directed the modification of the Gas Suppliers Licence to introduce new rules regarding the prevention, detection and investigation of gas theft.³ In particular, the new licence condition⁴ requires Gas Suppliers to be a party to, comply with, and maintain the "Theft Arrangement" directed by the Authority to help improve the detection, prevention and investigation of theft.

On 8 January the Authority issued a direction pursuant to the modified Gas Suppliers licence to implement a Theft Arrangement, known as the Theft Risk Assessment Service ('TRAS') by March 2014.⁵

The change proposal

CP12/226 seeks to modify the SPAA such that it provides a governance framework for the TRAS. In particular it seeks to amend Clause 6.2 of the SPAA, giving the SPAA Executive Committee the necessary vires to give effect to the TRAS arrangements.

CP12/226 defines the TRAS arrangements as being those:-

"made in accordance with Schedule 34 for the maintenance and operation of the service as set out in Standard Licence Condition 12A."

Schedule 34 will itself also be inserted by CP12/226. This is currently set out as a skeleton document only, though it is envisaged that this will, in due course, set out the detail for the operation of the TRAS.

The procurement of the TRAS service provider is currently being progressed under the auspices of the SPAA; further details of the TRAS arrangements will be set out in Schedule 34 once this process has completed.⁶

Respondents' views

CP12/226 was considered at the SPAA Change Board on 17 January 2013.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

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

³ Tackling Gas Theft: New requirements for gas suppliers – Decision Document. Ofgem Ref 137/12. See: www.ofgem.gov.uk/Markets/RetMkts/Compl/Theft/Documents1/Tackling%20Gas%20Theft%20-%20New%20requirements%20for%20gas%20suppliers%20-%20Final.pdf

⁴ SLC12A "Matters relating to Theft of Gas"

⁵ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=149&refer=Markets/RetMkts/Compl/Theft>

⁶ The TRAS procurement plan was presented to the open session of the SPAA EC on 23 January 2013 and is available on the SPAA website at: <http://www.spaa.co.uk>

All voting members, six of whom represented both Domestic and Industrial and Commercial (I&C) Suppliers and one who represented Gas Transporters, were in favour of CP12/226 being implemented. This equated to 100 per cent of the weighted votes cast by relevant parties.⁷

Parties also recommended that the implementation date for the change should be as soon as possible following receipt of the Authority's consent.

The Authority's decision

After considering the views of the Change Board and the Change Report issued to Ofgem on 8 February 2013 we have concluded that:

- implementation of the change proposal will better facilitate the achievement of the relevant objectives of the SPAA⁸, and
- consenting to the modification being made is consistent with the Authority's principal objectives and statutory duties.

Reasons for the Authority's decision

We have considered the change proposal and taken into account the unanimous vote of the SPAA Change Board.

We also note the views of respondents to the SPAA consultation. Only one substantive comment was received, which noted that although CP12/226 was proposed to apply mandatorily to all SPAA Parties, the licence obligation was upon Gas Suppliers only. This point was discussed at the Change Board meeting of 17 January 2013, at which it was agreed to amend the proposal to refer specifically to SPAA Parties who are Gas Suppliers. However, the group also considered that Gas Transporters would be engaged with the TRAS and that at a later date it may be appropriate to consider mandatory application of the Schedule to them.

We agree with the Proposer and the Change Board that the implementation of this proposal would better facilitate the SPAA relevant objectives, in particular objectives (d) and (f).

(d) so far as is consistent with sub-paragraphs (a), (b) and (c), the efficient discharge of the licensee's obligations under this licence

With the coming into effect of SLC 12A "Matters relating to Theft of Gas" on 7 January 2013, we agree that CP12/226 is likely to better facilitate relevant objective (d). SLC 12A requires suppliers to, amongst other things, take all reasonable steps to detect, prevent and investigate theft of gas, behave towards the customer in a manner which is fair, transparent, not misleading, appropriate and professional.

More specifically, SLC 12A.8 requires the license to be a party to, comply with, and maintain such arrangement to give effect to the Objective, as the Authority may direct (the "Theft Arrangement"). We agree that the SPAA provides an efficient and robust means for Gas Suppliers to collectively discharge these new obligations.

⁷ The threshold for a change proposal being accepted by relevant SPAA parties is 65%, as set out in clause 9 of the SPAA.

⁸ As set out in Standard Licence Condition (SLC) 30.5 of the Gas Suppliers Licence.

(f) the securing of compliance with SLC 12A of the gas supply licence ("Matters relating to Theft of Gas")

For the reasons set out under relevant objective (d), we consider that CP12/226 also better facilitates relevant objective (f), which was inserted into SLC30 for this purpose.

Decision notice

In accordance with Standard Condition 30 of the Gas Suppliers Licence, the Authority consents that change proposal CP12/226: 'Theft Provisions for the Theft Risk Assessment Service (TRAS)' be made.

Colin Sausman

Partner, Retail Markets and Research

Signed on behalf of the Authority and authorised for that purpose.