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Chiara Redaelli  
Smarter Markets  
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9 Millbank  
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Our ref

Your ref

Date

-

14 August 2013

Dear Chiara

## **Tackling electricity theft - Consultation**

I am writing on behalf of Western Power Distribution (East Midlands)plc, Western Power Distribution (West Midlands) plc, Western Power Distribution (South Wales) plc and Western Power Distribution (South West) plc, in response to Ofgem's consultation on tackling electricity theft.

Our key concern is to ensure that the DNO licence obligations reflect both the RIIO ED1 Strategy Document and the Theft consultation and make clear exactly what obligations the DNO have in relation to theft. This will avoid any conflict with Ofgem's decision that Suppliers have the main responsibility for tackling the theft of electricity.

It is our understanding from both the RIIO-ED1 Strategy Decision and the Theft Consultation that DNOs would have an obligation to tackle theft at unregistered sites, and that this would be subject to a cost pass through. Furthermore it is our understanding from the RIIO-ED1 Strategy Decision that arrangements for tackling theft would be separate from the losses reduction obligation.

Paragraph 6.15.of the Theft Consultation states that Ofgem will consult on the licence obligations as part of the RIIO-ED1 licence drafting consultation process. This obligation will require DNOs to undertake all reasonable cost-effective actions to identify electricity theft occurring on their distribution network, and take the necessary steps to rectify the position within a reasonable time period. Any such actions should be in accordance with any approved Electricity Theft Reduction Strategy, which would be reviewed from time to time to ensure that a proportionate approach is being taken. As the RIIO-ED1 Strategy Decision did not make reference to this obligation or to an Electricity Theft Reduction Strategy, we would like to understand fully what Ofgem's expectations are in relation to this obligation, and confirmation that these costs will also be subject to pass through..

Please see attached response to the questions raised in the consultation. We will also be discussing the detailed drafting at the RIIO-ED1 Licence Drafting Working Group.

Yours sincerely

A handwritten signature in black ink, appearing to be 'AS', written in a cursive style.

ALISON SLEIGHTHOLM  
Regulatory & Government Affairs Manager

**Western Power Distribution Response - Tackling Electricity Theft Consultation**

	<b>Question</b>	<b>Answer</b>
<b>Question 9:</b>	Do you agree with our view that DNOs, for the time being, should not be included in an incentive scheme?	<p>Yes we agree. Ofgem’s RIIO-ED1 Strategy Document does not contain an incentive scheme related to Theft.</p> <p>We note Ofgem’s decision that Suppliers should be responsible for tackling the theft of electricity consumed at premises.</p>
<b>Question 10:</b>	Do you agree with our view that DNOs should have licence obligations to tackle theft in conveyance?	<p>DNO licence obligations need to reflect both the RIIO ED1 Strategy Document and the Theft consultation and make clear what obligations the DNO have in relation to theft.</p> <p>Please see WPD’s comments on drafting licence obligations.</p> <p>(1) We understood from the RIIO ED1 Strategy Document that there would be a licence obligation specifically in relation tackling theft in relation to unregistered MPANs where no supplier is responsible.</p> <p><b>It would be helpful for a draft DNO licence condition (relating to unregistered MPANs) to be published so that it can be discussed at the RIIO ED1 Licence Drafting Group LDWG.</b></p> <p>(2) The RIIO ED1 Strategy Document and the Theft consultation both state that DNOs may recover the reasonable costs of activities relating to theft relating to unregistered MPANs. We understood this to mean that these costs would be treated as pass through items. This either needs to be via the existing miscellaneous pass through term (MPt) as per the recent approval granted to National Grid Gas Distribution, or for a new pass through term specific to theft.</p> <p><b>For clarity in draft CRC2 (Calculation of Allowed Pass-Through Items ) we would prefer a separate pass through term to cover the costs incurred in any regulatory year associated with theft detection and reduction on</b></p>

		<p><b>the electricity network or at unregistered sites.”</b></p> <p>(3) The Strategy Decision Document states that theft will be treated separately from the Losses Reduction Mechanism, including the licence obligation to ensure that losses are as low as reasonably practicable.</p> <p>However the draft Standard Licence Condition titled (Electricity Distribution Losses Management Obligation and Distribution Losses Strategy) which is being considered at LDWG includes theft of electricity within a very widely drafted obligation.</p> <p>This drafting needs to be reviewed to ensure that there is no overlap with supplier’s obligations And it is clear what is expected of DNOs.</p> <p>For example as currently drafted the definition of distribution losses is too wide</p> <p><i>“b) units of electricity which are unaccounted for and can be attributed to theft in conveyance, unmetered supplies or metering ”.</i></p>
<p><b>Question 11:</b></p>	<p>Are you aware of any alternative proposals to support DNOs in tackling theft in conveyance that should be considered? If so, please provide further details.</p>	<p>No.</p>