

# Minutes

<b>Meeting Name</b>	DCP 054 Working Group	<b>Meeting Number</b>	003
<b>Meeting Date</b>	05 February 2010	<b>Meeting Time</b>	10:00
<b>Venue</b>	ElectraLink, 2-3 Golden Square, London, W1F 9HR		

**Attendee**

Glenn Sheern (Chair)  
Andrew Wallace  
Christopher Harding  
Elizabeth Lawlor  
Kevin Woollard  
Jon Spence  
Mike Blake  
Paul Coule  
Sasha Pearce  
Tony Savka  
Alex Burford (Secretary)

**Company**

E.ON UK  
Ofgem  
EDF Energy Customers  
ElectraLink Ltd  
British Gas  
ELEXON  
EDF Energy Networks  
Scottish Power Energy Retail  
NPower  
Electricity North West Limited  
ElectraLink Ltd

## **1. ADMINISTRATION**

- 1.1 Apologies were received from Ian Main and Angela Mann.

## **2. AGREEMENT OF MINUTES OF MEETING 002**

- 2.1 The minutes of the last meeting were agreed subject to an amendment to 2.1 in relation comment from SP and a rewording of 6.2 to ensure clarity.

## **3. OUTSTANDING ACTIONS**

- 3.1 An updated Actions Log is attached as Appendix A.

## **4. INCENTIVE SCHEMES**

- 4.1 KW presented to the Group a number of Incentive Schemes for their consideration. The Group reviewed the following incentive Schemes:
- 4.2 Reasonable Endeavours Scheme- which was developed from an ENA Working Paper on Revenue Protection Schemes from 2007:
- Enables Suppliers to recover costs where unable to recover from customer
  - Costs passed through by DNOs
  - Scope – National and NHH
  - Specify items of work against which claims can be made
  - Allow cost of work but to a capped level
  - Permit claims for cost of site visits including where theft is not discovered (capped to % of total claims)
  - Allow costs of units not recoverable from customer where units have entered settlement
  - Suggested a 12 month trial to start
  - Claims would be auditable
  - Monthly reports to industry on anonymised basis
  - Periodic reporting to Ofgem
- 4.3 The Group noted that transparency is important in this Scheme and went on to note that DNOs already publish costs, which will ensure that claims are not excessive.
- 4.4 Losses Incentive Sharing Mechanism – which was based on a Scheme offered by UU in 2006:
- Discretionary scheme
  - Share with suppliers the losses incentive Ofgem have given DNOs to reduce losses (4.8 pence per KWh).

- Current proposal is to share 50% of losses incentive.
  - The 50% could be increased if DNO found they can manage out some of the inherent risks within the scheme
  - Worth £79.20 for a typical domestic customer consuming 3300 KWhs pa.
  - Threshold established below which the scheme would not apply. Units above this threshold would qualify for incentive.
  - Based on total 2004/05 units for profile classes 1 to 4, divided by total stolen units reported back to suppliers for input into settlement.
  - Results in a qualifying threshold of 0.1%.
- 4.5 Supply Energy Theft Scheme (SETS) - developed under UNC Modification P277 which was raised by British Gas:
- Aim is to compare Supplier revenue protection activity based on % market share and to reward according to performance
  - Scheme self financing with poorer performers subsidising better performers
  - Supplier pays into fund or receives payments depending on performance
  - Submissions monitored by an agency
  - Monthly reports with quarterly reviews
  - Periodic reporting to Ofgem
- 4.6 The Group noted that a Scheme to manage, quantify reports and report to Ofgem would need to be established. KW noted that this scheme could be linked to the Losses Incentive Mechanism to make it more effective.
- 4.7 National Revenue Protection Service (NRPS) – which was put forward by E.ON and developed under UNC Modification P274:
- NRPS would determine strategies to improve investigation, detection and prevention of theft
  - NRPS would hold and process data needed for operation of service
  - Could also offer field services to those parties unable to run a field force of agents
  - Proposal in gas suggests that costs would be borne by whole industry
  - Would attempt to recover costs from customers but where unable costs would be borne by the industry
  - Scheme separates out core and optional services
  - Would encourage Consumer Focus to participate in scheme formulation

- 4.8 The Group agreed that a register of customers who have committed theft in the past would be useful, as it would ensure that repeat offenders to not change suppliers and continue to steal units.
- 4.9 Hybrid Scheme – which was developed by KW for DCP 054:
- Situation where supplier bears the full energy costs via settlements system when detecting theft acts as a perverse incentive
  - Currently only minimal values are being entered into settlement and most theft is being smeared across all NHH suppliers via Group Correction Factor (GCF)
  - Proposal is that obligation for suppliers to enter units into settlement is withdrawn and theft continues to be accounted for via GCF
  - Replaced with fully auditable and transparent reporting system to DNOs and Ofgem where performance can be monitored and linked to one of the earlier incentive schemes thus maintaining integrity of settlement
  - Would need Ofgem to allow DNOs to claim for theft identified by suppliers outside of settlement system and gain benefit through losses incentive
- 4.10 The Working Group agreed to review each incentive Scheme against a common framework so that it can assess, carry out gap analysis and compare each one against the others. The Working Group agreed that once the schemes have been developed it may be prudent to consult with DCUSA Parties to determine which scheme is best supported across the industry.
- 4.11 The Working Group agreed that each scheme should be reviewed against the following criteria:
- What will the coverage be e.g. National/Domestic?
  - When could the scheme start / be effective from?
  - How would the scheme be implemented?
  - How will performance be measured?
  - What are the rewards/ expected benefits of the scheme?
  - How will the scheme be monitored /audited?
  - How will reporting work under the scheme?
  - What governance framework is required – where will the scheme sit?
  - How will the scheme operate, i.e. a technical description and simple worked example?
  - How will the scheme be funded?
  - Are there any disadvantages of implementing this scheme? disadvantages
- 4.12 The following members too actions action to review each of the Schemes and report back to the next meeting:
- Reasonable Endeavours – KW
  - Losses Incentives – TS
  - SETS – PC
  - NRPS – GS
  - Hybrid - KW

**Action:** WG Members

- 4.13 KW took a further action to develop a worked example for the Reasonable Endeavours scheme and to distribute it to the Working Group as a template for the other scheme's technical examples.

**Action:** KW

- 4.14 The Working Group noted that whatever scheme is adopted could be incorporated or referenced within the Code of Practice and the UK RPA Manual. GS noted that the Working Group should progress DCP 054 to update the CoP whilst the options for the scheme are developed. He noted that an alternative variation could be raised, should the Group wish to progress with another option, as long as it fits with the scope of DCP 054 or that a new CP could be raised to implement a new scheme.

## **5. REVIEW OF THE CODE OF PRACTICE AND UK RPA MANUAL**

- 5.1 In response to Action 002/05, AW noted that a UKPRA representative confirmed that access to the Manual had been provided to the UNC245 group and that there should not therefore be any concerns with it being accessed by the DCP 054 Working Group. AW informed the group that the UKRPA contact had raised the issue of IPR with colleagues but he had not had responses on this question.
- 5.2 The Working Group reviewed the detailed Code of Practice and UK RPA Manual Comments Log and agreed the following high level principles:
- The Code of Practice and the UK RPA Manual should be bought together into a single document as a Schedule to the DCUSA.
  - All Parties will be required to comply with the Schedule (as they are currently required to comply with the CoP under DCUSA Clause 32)
  - The document should contain a table setting out the sender / receiver for each data / communication flow and the required timescales for each
- 5.3 SP took an action to create the table.

**Action:** SP

- 5.4 ElectraLink took an action update the documents in line with the decisions taken by the Working Group and to capture wider issues on a log.

**Action:** ElectraLink

## **6. OFGEM PUBLICATION**

- 6.1 The Group noted that Ofgem is still drafting a guidance document to identify disconnections in relation to gas and electricity. ElectraLink took an action to update the next DCP 054 Agenda with an item to discuss the Ofgem document.

**Action:** ElectraLink

## **7. WORKPLAN**

- 7.1 The Working Group noted that at its last meeting the Panel approved a 40 WD extension for the definition of the CP. The Working Group noted that it will need to submit its final report to the April Panel or request a further

extension in March and reconsider the implementation for the CP if required.

7.2 The Working Group noted the following provisional timetable:

Activity	Latest Date
Working Group Meeting	07 March 2010
Panel Meeting - Change Report Agreed	21 April 2010
Party Voting	23 April– 07 May 2010
Change Declaration	10 May 2010
Authority Consent	10 May – 14 June 2010
Implementation	25 June 2010

## **8. ANY OTHER BUSINESS**

8.1 There was no other business raised at the meeting.

## **9. DATE OF NEXT MEETING**

9.1 The next meeting of DCP 054 Working Group will take place at 10:00 04 March 2010 at the Institute of Directors 116 Pall Mall, London, SW1Y 5ED.

**APPENDIX A – ACTIONS****OPEN ACTIONS**

<b>No.</b>	<b>Action</b>	<b>On</b>	<b>Due</b>
003/01	Review each of the Schemes and report back to the next meeting: Reasonable Endeavours – KW Losses Incentives – TS SETS – PC NRPS – GS Hybrid - KW	KW, TS, PC and GS	26/02/10
003/02	Develop a worked example for the Reasonable Endeavours scheme and to distribute it to the Working Group as a template for the other scheme's technical examples.	KW	26/02/10
003/03	Create the table setting out the sender / receiver for each data / communication flow and the required timescales for each	SP	26/02/10
003/04	Update the Code of Practice and UK RPA Manual in line with the decisions taken by the Working Group and to capture wider issues on a log.	ElectraLink	26/02/10
003/05	Update the next DCP 054 Agenda with an item to discuss the Ofgem document.	ElectraLink	26/02/10

**CLOSED ACTIONS**

<b>No.</b>	<b>Action</b>	<b>On</b>	<b>Due</b>
002/01	Add the incentive schemes to the next meeting agenda.	ElectraLink	29/01/10 <a href="#">Complete</a>
002/02	Distribute the code of practice to the Working Group in a word document for them to comment on and discuss at the next meeting.	ElectraLink	29/01/10 <a href="#">Complete</a>
002/03	Review Code of Practice.	All	29/01/10 <a href="#">Complete</a>
002/04	Add the Ofgem publication on the Agenda of the next meeting.	ElectraLink	29/01/10 <a href="#">Complete</a>
002/05	Review the minutes of the UNC245 meetings to clarify the issue of ownership of the (UK RPA)	AW	26/02/10

	manual.		Complete – see section 5
002/06	Distribute RPA manual comments to the Working Group	ElectraLink	29/01/10 <a href="#">Complete</a>
001/01	Circulate ERA/ENA papers and gas modifications to members	KW	27/11/09 Complete
001/02	Map out existing BSC processes for reporting missing units	JS	Complete
001/03	Draw up a straw man document for a solution outside Settlement and consider how it could interact with the BSC	MB / JS	27/11/09 Complete
001/04	Review the Code of Practice for discussion at the next meeting	All	27/11/09 Complete
001/05	Circulate UK RPA manual	AM	27/11/09 Complete