



DCUSA Consultation

DCP 209 – Resolving Unregistered Customers

PURPOSE

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors, electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This document is a consultation issued to all DCUSA Parties, interested third parties, and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 209 '*Resolving Unregistered Customers*'.
- 1.3 Parties are invited to consider the proposed legal drafting set out in Attachment 3 to this document and submit comments using the response form provided as Attachment 1 to DCUSA@electralink.co.uk by **Wednesday, 27 May 2015**.

2 DCP 209 'RESOLVING UNREGISTERED CUSTOMERS'

- 2.1 DCP 209 has been raised by Northern Powergrid to improve communications with unregistered customers with the aim of getting them registered by a Supplier, set out high level processes for managing unregistered customers up to, but excluding, the registration process itself and place new obligations on Parties in respect of the management of such customers.
- 2.2 Following Ofgem's work on Tackling Theft of Electricity, Ofgem published a decision document on 4 March 2014 titled 'Tackling Electricity – The way forward' (link below). In that document Ofgem undertook to review distribution licence drafting for the RIIO (Revenue = Incentives + Innovation + Outputs) – ED1 (Electricity Distribution 1) price control period and to continue to work with stakeholders to find solutions to theft related issues, including the process for getting unregistered customers registered by a Supplier

<https://www.ofgem.gov.uk/publications-and-updates/tackling-electricity-theft-%E2%80%93-way-forward-0>

- 2.3 This Change Proposal (CP) therefore seeks to get unregistered customers registered by a Supplier which will reduce overall system losses and thereby reduce costs for customers in general.

3 WORKING GROUP ASSESSMENT

- 3.1 The DCUSA Panel has established a DCP 209 Working Group which consists of DNO, Supplier, IDNO and code governance representatives (Gemserv) and Ofgem.
- 3.2 Standard Licence Condition 49 places an obligation on Distributors to undertake all reasonable cost-effective steps within its power to resolve any cases of Relevant Theft of Electricity from its Distribution System. The definition of Relevant Theft of Electricity includes abstraction of electricity in circumstances where any person takes a supply of electricity at premises which have never been registered with an Electricity Supplier (unregistered premises). However, while Distributors may identify such customers and can communicate with them, only Suppliers can register them and fully resolve such instances.
- 3.3 A Request for Information (Rfi) issued by the Working Group in 2014 indicated that the number of unregistered customer is in excess of 12,000 although the estimated numbers vary significantly in different distribution licence areas. The Working Group identified a myriad of mechanisms by which unregistered customers can arise, but existing reporting is insufficient to identify the primary route causes and volumes of different scenarios. We have therefore focussed on developing communications and processes to resolve unregistered customers in a broadly consistent manner when they are identified.
- 3.4 This CP therefore seeks to address the area of unregistered customers who have fallen outside of the standard Supplier registration process. Unregistered customers may be connected via a range of normal and abnormal arrangements including:
- Via a properly installed connection with a Meter Point Administration Number (MPAN) and a settlements meter, but with no registered Supplier;
 - Via a properly installed connection with an MPAN, but via a non-settlements/private meter and no registered Supplier (the meter having being installed by persons unknown);

- Via a properly installed connection, but with no MPAN, a non-settlements/private meter and no registered Supplier (the meter having being installed by persons unknown);
- Via a properly installed connection which has been improperly modified by a non-authorized third party; or
- Via a connection illegally installed by a non-authorized third party (this scenario could be a clear case of theft in conveyance creating an unregistered customer).

The proposed arrangements and processes developed by the Working Group are focussed on the first bulleted scenario above, but elements of the proposed arrangements can be used to drive resolution of various unregistered scenarios.

- 3.5 The aim of this CP is to provide a co-ordinated industry wide approach, including for those honest customers who have been unregistered for a while and have had difficulty in completing a non-standard registration for their premises. The proposed arrangements would support communication leading up to registration by the customer's preferred Supplier through more efficient customer engagement and co-ordinated communication between the Distributor and the Supplier.
- 3.6 Any unregistered customers deemed to be stealing electricity (for example through tampering, via improperly modified connections or theft in conveyance) may be more appropriately managed as set out in DCUSA Schedule 23 '*Revenue Protection Code of Practice (CoP)*' rather than through the arrangements proposed by DCP 209.

Standard Letters, Alignment to the gas industry and DCUSA legal advice

- 3.7 The letter templates set out in this proposal are optional and include the facility for the Distributor to use the optional best practice letters and also remain free to use the most appropriate means to communicate with their unregistered customers in relation to different scenarios (including emails, phone calls or site visits).
- 3.8 In reviewing the communications with unregistered customers the Working Group has considered the current approved arrangements in the gas industry whereby standard industry letters are both helpful in terms of providing advice on how such customers can get registered, but are also clear in respect of potential consequences if the customer's

premises do not become properly registered, including the prospect of disconnection.

- 3.9 The Working Group considered the arrangements for similar customers in the gas industry and then sought legal advice in respect of how letters from Distributors might align (as far as possible) to the standard letters used in gas. The advice confirmed that it may not be reasonable in all the circumstances for Distributors to maintain such unregistered connections and (subject to appropriate protections for vulnerable customers) standard letters to unregistered customers in respect of electricity could also include the prospect of disconnection. In practice this would most likely mean the threat of temporary de-energisation until the premises were registered.
- 3.10 Working Group members considered and discussed the resulting legal advice, including in particular the prospect of de-energising Unregistered Customers who did not pursue a supply contract. None of the Working Group members have identified any significant concerns with the advice and so a 'Stage 2 Letter Template' was developed that includes the prospect of the customer being de-energised ('cut-off').
- 3.11 The inclusion in communications of the prospect of de-energisation (being cut-off) is viewed by the Working Group as a significant step forward in the efficiency of resolving such customers (with Parties obviously needing to pay due regard to any Unregistered Customers identified as vulnerable). The Working Group believes that the prospect of de-energisation is likely to lead to swifter actions by the customer rather than an actual increase in the number of de-energisations under such circumstances.
- 3.12 The Working Group has drafted three optional best practice standard template letters for communicating with unregistered customers which act as Attachment 2 to this consultation.
- Stage 1 Template Letter A
 - Stage 1 Template Letter B
 - Stage 2 Template Letter

It should be noted that the Stage 2 letter is firmer in tone and includes references to the prospect of being 'cut-off'. The use of the words 'cut-off' is considered by the Working

Group as being both clear to the customer and unambiguous, the words have also been subject to legal advice.

- 3.13 The Stage 1 Template Letter is an initial communication letter with the customer to request that the customer takes action to register with their preferred Supplier.
- 3.14 Stage 1 Template Letter A sets out a form requesting the customer to provide their customer details and choice of preferred Supplier to the Distributor in a freepost envelope. Stage 1 Template Letter B takes a similar approach but sets out a step by step basis on how to register with a Supplier. The Working Group is interested in whether industry parties prefer the approach of either Stage 1 Template letters A or B, or indeed whether parties see the option of using either letter as beneficial.
- 3.15 Following a set period of time after the customer has responded to the Distributor's 'Stage 1 letter (proposed timeline - 1 month) the Distributor contacts the customers preferred Supplier for an update on the customers progress in registering their supply.
- 3.16 A Stage 2 letter is issued to customers who have not attempted to register with their stated preferred Supplier or have failed to communicate their customer details to the Distributor. This letter clearly threatens to discontinue the supply to the premises.
- 3.17 The Working Group is interested in party's views on the content of the Stage 1 and Stage 2 template letters.

Communications with customers and the Draft Process Diagram

- 3.18 Clause 8.4 captures best practice process steps for identifying and communicating with Unregistered Customers and the Working Group would welcome party views on appropriate timing between each process step. The process steps need to allow Unregistered Customers sufficient time to respond or take actions but the steps also need to progress without wide 'gaps' in order to maintain a sense of priority with the customer.
- 3.19 The Working Group considered the effectiveness of the golden thread diagrams published under the Master Registration Agreement (MRA) and drafted an outline process map for the purpose of establishing industry wide co-ordination to resolve unregistered

customers which is set out in Appendix 3 of the draft legal text (or Attachment 3A) (please note that this is included as reference material and is not intended to be included in the actual DCUSA legal drafting). The Working Group is interested in industry party's views on the process, including if there are any missing elements or further refinements that could be suggested to help ensure its efficient implementation.

DCP 209 Draft Legal Text

- 3.20 This CP proposes a new Schedule to DCUSA and is based on the format and approach of DCUSA Schedule 23 'Revenue Protection Code of Practice' which separately identifies Obligations, Best Practices and reference material.
- 3.21 Parties are asked to note that reference material is included as supporting information in the Appendices to the legal drafting and is not intended for inclusion in the formal legal drafting of DCUSA. This reference material is intended to assist parties in implementing the requirements of DCP 209 (if approved) and includes guidance on discontinuation of supply, an outline process diagram and optional standard letter templates.
- 3.22 The new Schedule places high level obligations on Distributors and Suppliers. Clauses 4 and 5 place obligations on Distributors to identify and communicate with unregistered customers in support of electricity Distribution Standard Licence Condition (SLC) 49.
- 3.23 At Clause 5.2 the Supplier is obligated to retain the Customers Details provided by the Distributor and to pro-actively seek to register the customer whilst keeping the Distributor informed of their progress in registering these customers.
- 3.24 The Working Group is interested in industry party's views on the draft legal text and whether Clauses 4 and 5 should be best practice only or be stated as obligations to ensure that the unregistered customers outline process is consistently applied across the industry.

4 UNREGISTERED CUSTOMER TRACKING SCHEDULE

- 4.1 To assist Parties in tracking higher volumes of unregistered customers and to help with the bilateral exchange and retention of customer data a template for an 'Unregistered Customer Tracking Schedule' has been produced by the Working Group. This acts as

Appendix 4 to the legal drafting (or Attachment 3A) as reference material and is not intended to form part of DCUSA legal drafting. The Working Group has envisaged that, for higher volumes of unregistered customers, this could be sent from a Distributor to the customer’s chosen Supplier on a monthly basis. For smaller volumes of unregistered customers this method of tracking may not be necessary.

4.2 The Working Group would welcome the views of Parties on the use of this tracking schedule including the frequency of data exchange and the format and detail of the tracking schedule.

5 ASSESSMENT AGAINST THE DCUSA OBJECTIVES

5.1 The Working Group reviewed the CP against the DCUSA Objectives and agree that DCP 209 better facilitates DCUSA General Objectives 1, 3 and 4 .

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| DCUSA General Objective One | The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks. |
| The Working Group agreed that a reduction in non-technical losses caused by unregistered customers should make Distribution Networks more efficient. | |
| DCUSA General Objective Three | The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences. |
| The Working Group agreed that this change helps DNO Parties to fulfil the obligations placed on them under RIIO-ED1 (SLC 49 on Losses and theft of electricity). | |
| DCUSA General Objective Four | The promotion of efficiency in the implementation and administration of this Agreement. |
| The Working Group agreed that this change provided clarity on responsibilities for detecting theft and registering customers who fall outside of the standard registration process and should improve the administration of the Agreement. | |

6 IMPLEMENTATION

6.1 The Working Group is interested in Parties view on the appropriate implementation date for DCP 209.

7 CONSULTATION

7.1 The Working Group is seeking views on the below questions:

1. Do you understand the intent of the DCP 209?
2. Are you supportive of the principles of the DCP 209?
3. Do you prefer the approach of best practice Stage 1 Template Letter A or Stage 1 Template Letter B? Please provide your rationale.
4. Do you prefer the option of having both best practice Stage 1 Template Letter A or Stage 1 Template Letter B available for use?
5. What do you think the timescales should be between best practice Stage 1 and Stage 2 letters? Please provide your rationale.
6. Do you have any comments on any of the detail of the proposed best practice letters?
7. Do you support the proposed high level outline process?
8. Do you have any comments on the DCP 209 draft outline process diagram?
9. Do you have any suggestions to help ensure the efficient implementation of the outline process, including if there are any missing elements or potential further refinements?
10. Do you have any comments on the proposed obligations and best practice as set out in the draft legal text?
11. We would like to draw Parties attention to Clause 8.4 of the legal drafting and request that Parties suggest the timescales for the process steps outlined within that Clause?
12. Do you have any other general comments on the proposed legal text?

13. DCUSA Schedule 23 Revenue Protection Code of Practice (CoP) is considered to contain sensitive information and as a result is not published on the external section of the DCUSA website. Do Parties consider that a similar requirement should be applied to the new Schedule proposed by this CP?
14. Which DCUSA General Objectives does the CP better facilitate? Please provide supporting comments.
 1. The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System.
 2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity.
 3. The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences.
 4. The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it.
 5. compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.
15. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
16. Do you have a preference on the implementation date for the DCP 209 change? Please provide supporting commentary.
17. Are there any alternative solutions or matters that should be considered by the Working Group? Please note the specific intent of the Change Proposal.

7.2 Responses should be submitted using Attachment 1 to DCUSA@electralink.co.uk no later than **Wednesday, 27 May 2015**.

7.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

8 NEXT STEPS

8.1 Responses to the Consultation will be reviewed by the DCP 209 Working Group. The Working Group will then determine the progression route for the CP.

8.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA Help Desk by email to DCUSA@electralink.co.uk or telephone 020 7432 3017.

9 ATTACHMENTS

Attachment 1 – DCP 209 Response form

Attachment 2 – Draft Best Practice Stage 1 and Stage 2 Standard Template Letters

Attachment 3 - DCP 209 Draft Legal Text

Attachment 3A - Supporting Material

- Draft Outline Process Diagram For Resolving Unregistered Customers
- Unregistered Customer Tracking Spreadsheet Between Distributor And Supplier

Attachment 4 - DCP 209 Change Proposal