

DCUSA Panel Meeting Ex-Committee (Open Session)

12 May 2020 at 11:00
Teleconference

Attendee	Role	Company
Panel Members		
Karl Maryon [KM]	Alternate Panel Member	DCUSA Ltd
Kevin Woollard [KW]	Panel Member	DCUSA Ltd
Simon Yeo [SY]	Panel Member	DCUSA Ltd
Simon Brooke [SB]	Alternate Panel Member	DCUSA Ltd
Peter Waymont [PW]	Panel Member	DCUSA Ltd
Julia Haughey [JH]	Panel Member [Chair]	DCUSA Ltd
Nigel Bessant [NB]	Alternate Panel Member	DCUSA Ltd
Victoria Parker [VP]	Panel Member	DCUSA Ltd
Observers (Open Session Only)		
Matt Simkiss [MS]	Observer	Npower
Nadir Hafeez [NH]	Observer	Ofgem
Jane Edge [JE]	Observer	Centrica
Code Administrator		
Dylan Townsend [DYT]	Secretariat	ElectraLink Ltd
Angelo Fitzhenry [AF]	Secretariat	ElectraLink Ltd
George Dawson [GD]	Technical Secretariat	ElectraLink Ltd
Michele Simpson [MS]	Secretariat	ElectraLink Ltd
Kate Mulvany [KM]	Secretariat	ElectraLink Ltd

Part One: General (Open Session)

1. Administration

- 1.1 The Chair welcomed all Parties to the meeting.

2. Impact Assessment of Theft Incentive Derogations

- 2.1 The Chair introduced the Impact Assessment of Theft Incentive Derogations paper (Panel_2020_0512-01_Impact Assessment of Theft Incentive Scheme Derogations) to the DCUSA Panel. MS presented the paper.
- 2.2 MS noted that the original discussions regarding the derogations of the Theft Incentive Schemes were raised at previous SPAA Executive Committee meetings by British Gas. SPAA approved an initial assessment for Suppliers, Scheme Administrator and the TRAS Provider perspectives on the derogation.
- 2.3 A member noted that DCP 368 'Amendment to the Electricity Theft Detection Incentive Scheme (ETDIS) Timing' has been approved by Ofgem. This Change would reduce the scheme year to only an 8-month window. It was noted that this conflicts with Gazprom's derogation request due to the temporal differences.
- 2.4 MS noted that the Theft Issues Group would be a suitable vehicle to monitor the derogation activity, provided a derogation is approved.
- 2.5 There are a number of pre-scheme activities which would need to be undertaken prior to the Incentive Scheme's start date. This means that any consideration regarding a derogation must also consider a window of time prior to the Scheme's start for the following activities to take place. A period between 3 to 6 weeks would be required to successfully complete the pre-scheme activities.
- 2.6 MS noted that, despite the derogation, Suppliers would still have to report theft data, however this data would not be acted upon. A consideration will also need to be made regarding Experian's role in the Incentive Scheme, as they write and send monthly reports to ElectraLink throughout the Scheme. The TIG believed that these monthly reports should continue to be issued, but with the caveat suggesting its use for illustration purposes only.
- 2.7 The Panel noted that, as a result of DCP 368, the Scheme year has been reduced to 8-months, between June 2020 and February 2021, and so it is a shortened Scheme regardless of Derogations.
- 2.8 The Panel questioned why the pre-Scheme work had not been completed, as a derogation has not been approved and the Scheme still technically begins on 1st June 2020. MS noted that the TSG requested that all work be put on hold as a result of a conversation with Jon Dixon from Ofgem.

3. Yu Energy Derogation

- 3.1 The Chair presented the Yu Energy Derogation to the meeting.

- 3.2 The Panel noted the derogation request as read, however, they wished for the open t Party comments to be presented in full. The Chair proceeded to take the Panel through each of the open representations and objections received.
- 3.3 PW noted that UK Power Networks response was not listed in the file uploaded onto the DCUSA website. AF acknowledged that this would be amended. PW confirmed that the UKPN responses were not contrary to the views of the other respondents.

Action Ex/01: AF to add the UKPN response to the Yu Energy Derogation uploaded onto the DCUSA website.

- 3.4 The Panel noted that the derogation would impact different Parties in a number of ways. A decision to grant the derogation would come under heavy scrutiny as the Party are suggesting that they have a reduced cash flow, but are also offering marketing products which provide ‘two free months’ of energy to new customers.
- 3.5 The Panel would have liked evidence of the impact on Yu Energy’s cash flow to support their derogation request.
- 3.6 The Panel queried whether this was simply a means of bringing the issue of cash flow to a wider attention in aid of its acceleration of Industry movements on this matter.
- 3.7 NH noted that Yu Energy have not directly approached Ofgem with a request for assistance at this time. However, it is understood that the ENA are exploring options with regard to this matter.
- 3.8 The Panel agreed to reject Yu Energy’s Derogation request and have approved the following communication:

‘The DCUSA Panel have carefully reviewed and considered the YU Energy derogation request and the representations and objections received. The DCUSA Panel have taken the decision to reject the derogation request on the following grounds:

- *The derogation request is not proportionate to the issue described*
- *The derogation request, if granted, would have a significant impact on competition and would result in a competitive advantage to YU Energy*
- *The derogation request, if granted, would discriminate in its effects on other parties as it would result in cashflow deferral for DNOs and IDNOs*
- *The derogation request, if granted, would render the Cover arrangements within DCUSA impractical (just one of many unintentional consequences)*

The DCUSA Panel is sympathetic to YU Energy’s (as with many other Suppliers) financial circumstances at this difficult time but do not consider approving a derogation to payment terms to be an appropriate resolution. The DCUSA Panel would like to highlight that the Government have a range of schemes in place to support all UK businesses at this difficult time. In addition, the DCUSA Panel are aware of work underway across the broader sector to establish what additional measures and support may be needed’

Action Ex/02: The Secretariat to inform Yu Energy of the rejection of their Derogation request and the reasons why.

4. British Gas and Gazprom Derogations

- 4.1 The Chair presented the British Gas and Gazprom Energy Derogations to the Panel and its attendees. The Panel agreed that the two derogations were inter-connected and therefore needed to be discussed at the same time. The Panel agreed that the open representations and objections received should be presented in full, which the Chair proceeded to do.
- 4.2 A Panel member noted that a confidential response made a good point in that any theft tip-off information recorded within the derogated period could still be acted upon once the Scheme had restarted. By creating a time-limited derogation, this would likely see greater Supplier engagement into the Scheme once it restarts than if the Scheme was suspended for the year.
- 4.3 The Panel noted that in the comments received from Parties, there is a greater level of support for the British Gas time limited proposal than the Gazprom extended proposal.
- 4.4 A member queried what would happen to the Scheme targets regarding a month-by-month derogation. The Panel noted that the targets would be generated based on the time-period remaining within the Scheme year, once the derogation was lifted. As noted previously, a 3 to 6-week leeway would need to be in place to allow the pre-scheme activities to be undertaken, such as target setting.
- 4.5 KM noted that the TIG would like to host ad-hoc meetings to discuss the specific topics related to the ETDIS derogation and would host it in an open-session format.
- 4.6 The Panel queried whether the open letter from Ofgem was going to be published. NH noted that a letter written by Jon Dixon was provided to the relevant Panels, but not sent out to wider industry; however, Ofgem had been in a publishing moratorium, so this may have prevented publication of the open letter.
- 4.7 It was noted that a few respondents referred to safety concerns arising from a a year-long derogation. The confidential respondent discussed whether energy theft instances are inherently unsafe until you examine the meter in question. If by removing the incentive scheme, it deters Suppliers from undertaking such visits, it could arguably impact customer safety. A fear amongst TIG members was that instances of theft will more than likely increase in these troublesome periods and so a time-limited derogation would at least generate some longer-term safety elements with a guarantee that the Scheme year would restart.
- 4.8 The Panel agreed that the month-by-month time limited derogation would be of greater benefit to the Industry and noted that constant reviews are essential to create a sensible and proportionate decision when commencing the Scheme year.
- 4.9 As such, the Panel agreed to accept the British Gas Derogation Request and thus, reject the Gazprom Derogation Request.

Action Ex/03: The Secretariat to inform British Gas of the acceptance of their Derogation request and to inform Gazprom of the rejection of their Derogation request and the reasons why.

- 4.10 The Panel agreed that the reporting of all thefts are still to take place and be presented to the TRAS administrator as reporting of thefts is still in the TRAS schedule and the only thing being derogated is the Incentive Scheme.
- 4.11 The process for extension of the Derogation would be presented to the TIG by Centrica with appropriate evidence and appropriate time prior to the start date.
- 4.12 KM noted that if the request came at too late a date, there is a risk that work would need to be repeated multiple times and would incur financial costs.

- 4.13 The Panel agreed the appropriate next steps would be for a discussion to be had at the June DCUSA Panel Open Session to discuss whether a commencing of the Incentive Scheme on 1st August 2020 is tenable or not.

Action Ex/04: The DCUSA Panel to discuss the TDIS derogation at the Open Session of the June meeting.

- 4.14 MS and KM noted that they would work together to draft a response to both Derogation Requests.
- 4.15 The approved Panel responses to British Gas and Gazprom are presented below:

The DCUSA Panel have reviewed and considered both the British Gas and Gazprom derogation requests relating to the 2020/21 Electricity Theft Detection Incentive Scheme (ETDIS). As both derogations relate to the duration of the Scheme, Panel members have carefully reviewed the impacts of each proposal and the decisions reached are outlined below:

BRITISH GAS

The DCUSA Panel have carefully reviewed and considered the British Gas derogation request and the representations received. The DCUSA Panel have taken the decision to accept the derogation request to defer the start of the ETDIS Scheme Year from 01 June 2020 to 01 August 2020 on the following grounds:

- *The derogation request for two months delay to the ETDIS is proportionate to the fast changing nature of the current challenges*
- *The derogation request will apply to all DCUSA Supplier parties*
- *The derogation applies to obligations and activities under the DCUSA Schedule 30 The Electricity Theft Detection Incentive Scheme only.*

Notwithstanding Ofgem's instruction to Suppliers to 'to maintain secure, reliable and safe supplies of energy to consumers in the short to medium term' in their letter of the 08 April 2020, Supplier's obligations around detecting, investigating, preventing and deterring theft still apply under DCUSA Schedule 23 Theft of Energy Code of Practice, DCUSA Schedule 25 Theft Risk Assessment Service, DCUSA Schedule 26 Energy Theft Tip-Off Service, or Supply Licence Conditions 5 or 12A.

The DCUSA Panel will review the derogation at June's DCUSA Panel meeting, utilising feedback of the Theft Issues Group about the resumption of Theft detection and investigation activities.

GAZPROM

The DCUSA Panel have carefully reviewed and considered the Gazprom's derogation request and the representations and objections received. The DCUSA Panel have taken the decision to reject the derogation request on the following grounds:

- *The derogation request is not proportionate to the issue described*
- *The derogation request, if granted, would not allow resumption of the scheme this year even if Supplier activities returned to a more normal footing*

The DCUSA Panel is sympathetic to Gazprom's request for clarity at this difficult time but do not consider approving a derogation to stop the Electricity Theft Detection Incentive Scheme for a full year to be an appropriate resolution.

5. Any other Business

5.1 No additional business was discussed.

Appendix A: Summary of Actions

New and Open Actions – Open Session

Action Ref.	Action	Owner	Update
Ex/01	AF to add the UKPN response to the Yu Energy Derogation uploaded onto the DCUSA website	ElectraLink	
Ex/02	The Secretariat to inform Yu Energy of the rejection of their Derogation request and the reasons why.	ElectraLink	
Ex/03	The Secretariat to inform British Gas of the acceptance of their Derogation request and to inform Gazprom of the rejection of their Derogation request and the reasons why.	ElectraLink	
Ex/04	The DCUSA Panel to discuss the TDIS derogation at the Open Session of the June meeting.	ElectraLink	