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Energy Losses Management Programme Eskom Distribution

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Abstract

Once the energy losses project social marketing campaign was launched it became clear that a effective reporting line was critical to achieving the program objectives. Eskom Distribution has established such a line and has created a back office structure to manage the line. Furthermore, it became clear that the business would need to investigate the possibility of launching an amnesty campaign and conduct research to ensure that such a campaign is a success.

Key Words: Energy losses, social marketing, amnesty and reporting line.

1. Overview of Eskom's Energy Losses Management Programme

Eskom Distribution defines 'Energy Losses' as the difference between energy purchased, as measured at the Transmission networks and energy sold to all Distribution customers (measured or estimated). This includes both technical energy losses (energy lost in the electrical networks due to the flow of current or energisation of the system) and non-technical energy losses (caused by various factors such as: energy theft, incorrect or faulty metering, billing, etc.). This excludes non-payment or debt management.

Over the four years between 2002 and 2005 Distribution's energy losses **increased from 4% to roughly 6%**. Although this is still significantly lower than the losses experience by many global utilities, Eskom Distribution launched the Energy Losses (Management) Programme (ELP) to address the issue. In financial terms, Distribution's 2006 energy losses cost approximately **2,4 billion Rand**, of which almost half could be attributed to non-technical losses.

At the outset the ELP developed a strategy based on three key objectives:

- Arrest the increasing energy losses trend
- Reduce energy losses to an acceptable level
- Ensure sustainability of effective losses management in the future.

The strategy objectives were implemented via a project management office consisting of five work streams. Figure 1 below summarises the key components of the work streams.

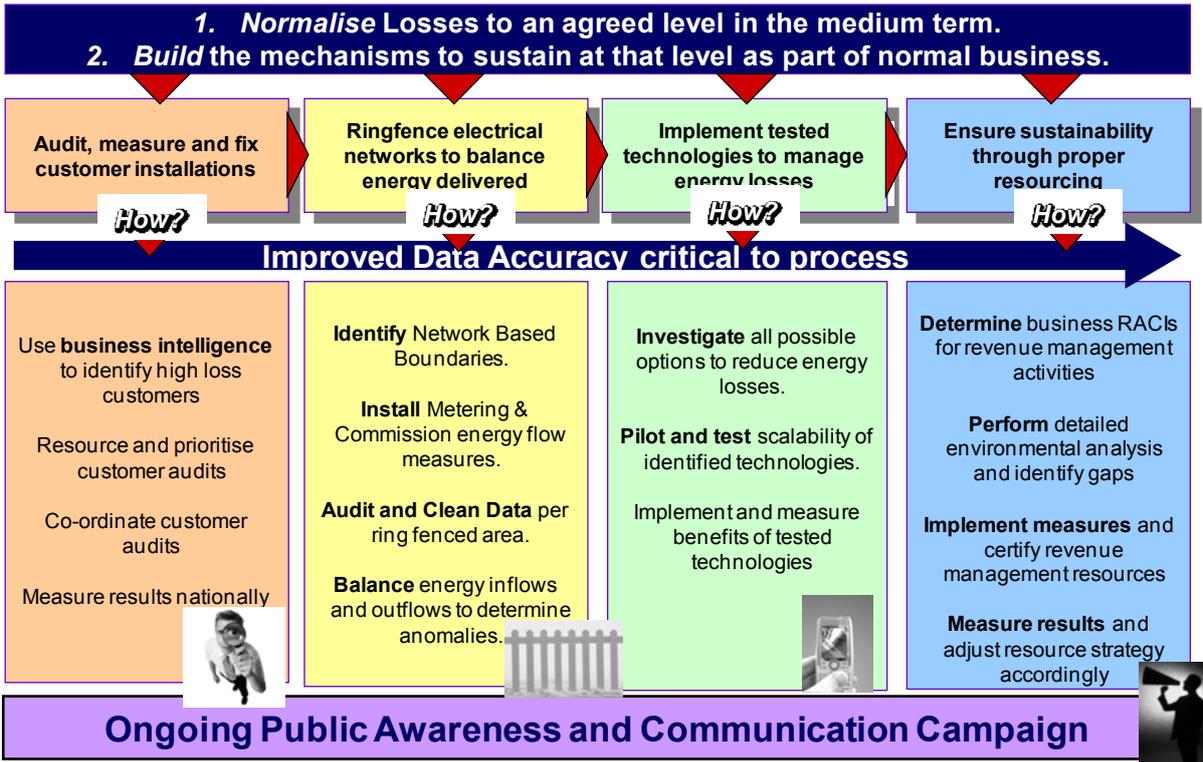


Figure 1: ELP Work Streams

The ELP is focused on enhancing the energy losses management process internally through the up-skilling of employees to improve the measurement of energy losses and increase the efficiency and effectiveness of meter audits. Significant progress has been made in these areas. In-line with and in support of these improvements Eskom Distribution launched a Social Marketing Campaign (SMC) to address challenges related to energy losses in the external environment.

2. Reason for Eskom ELP reporting line and Amnesty Campaign

The Eskom ELP launched its SMC to address the issue of electricity theft being faced by Eskom. The SMC consists of four distinct interventions as depicted in Figure 2 below.

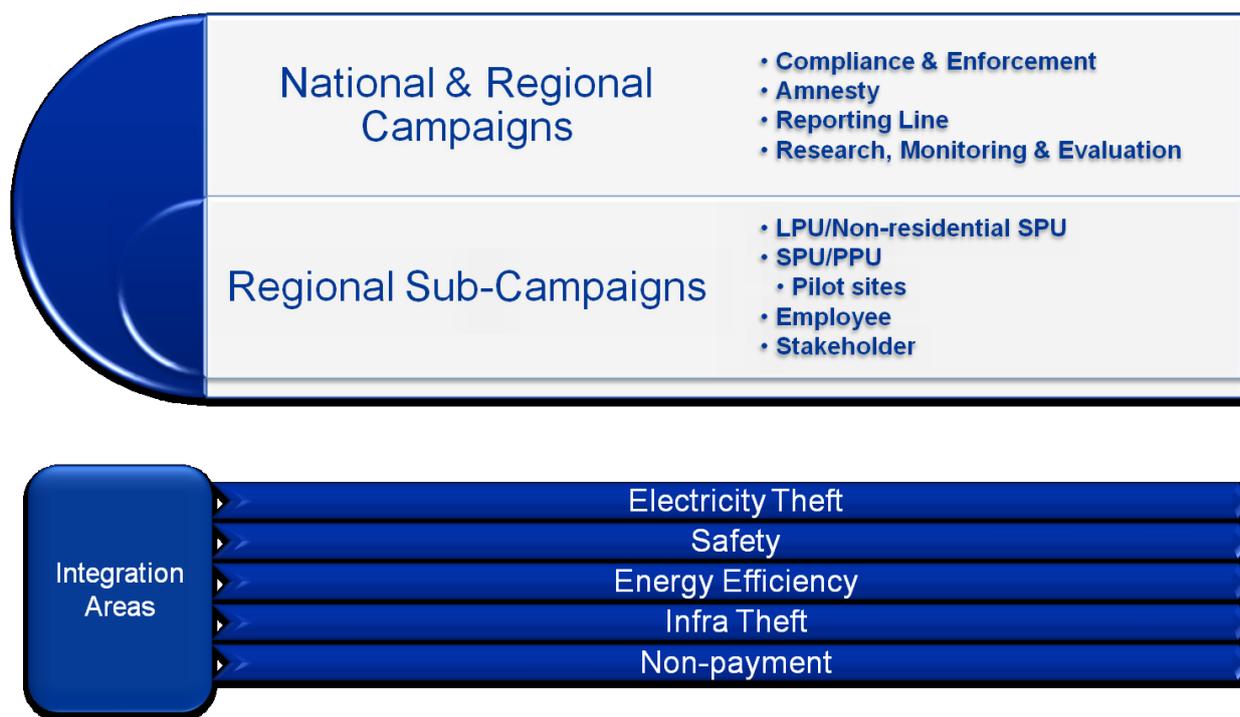


Figure 2: Eskom ELP SMC

The need for an Amnesty Campaign arose due to several interrelated issues the ELP project team encountered in the implementation of the SMC. These are:

- Limited or no prosecution of electricity theft offenders:
 - Since the removal of section 27 in the Electricity Act, utilities have been virtually powerless to prosecute customers and contractors involved in illegal electricity acts. Furthermore, even when the law allowed for the prosecution of these offences, prosecution actually occurred on a limited basis.
- A renewed focus on prosecutions:
 - Having recognised the limitation in the law and that any attempts to influence customer behaviour must be accompanied by punitive measures against offenders, Eskom engaged with the South African Police Service (SAPS), National Prosecuting Authority and legal experts to determine how to proceed. *The Serious and Organised Crime (Control) Act* of 2008 was identified as the best route to follow. Essentially, an offender would be prosecuted for secondary offences such as damage to property, racketeering, being part of a criminal syndicate, etc.
 - Thus, with the Act in place, Eskom would start to prosecute offenders. This, however, present additional challenges as outlined below.
- The high number of offenders that would need to be prosecuted:
 - From the data received from meter audit, it became clear that when Eskom embarks on the prosecution phase of the campaign, the number of offenders will be very high and it would not be realistic to try and prosecute them all.

- The introduction of a reporting line. The reporting line would receive two types of calls:
 - Calls/reports from people wanting to come clean as part of an Amnesty Campaign, where the person's details are gathered to ensure he/she is added onto/updated on the system.
 - Calls/reports from people (Eskom employees, Eskom clients, non-Eskom clients) to report other people/syndicates illegally connecting themselves/others; such callers will probably want to stay anonymous.

Based on the above, it was decided to include an amnesty period that would allow for the following:

- All members of the community could apply for amnesty
- Applicants would not be liable for prosecution during this period
- Applicants would still be liable for their debts as determined by the revenue recovery process (please refer to Revenue Recovery paper)
- Eskom would legalise the meter/installation during this time
- The following categories would be exempt from amnesty:
 - Eskom employees
 - Eskom contractors
 - Contractors in general.

The amnesty would only come into effect once Eskom has prosecuted a number of cases on secondary charges and has made the results public. It is critical that Eskom's customers and other electricity users be made aware of the following:

- Eskom is committed to addressing illegal electricity use
- Eskom is able to prosecute offenders
- Offenders will be caught and prosecuted.

Once the above has been demonstrated to employees, customers and general society, the amnesty period would be opened. This will allow for the following:

- A significant number of illegal users would come forward to become legal users, thus negating the need to prosecute large volumes of customers
- Members of the community would be given an opportunity to report all forms of illegal electricity use and feedback will be given as to the actions taken.

It is critical that Eskom ensures the following:

- An effective reporting mechanism must be in place to receive amnesty calls and electricity theft calls
- Eskom must be able to deal with the response expected during the amnesty period and respond to the cases reported
- Feedback must be given to the callers regarding the progress with the cases they reported.

3. Eskom ELP reporting mechanism

As part of the ELP SMC, Eskom needed to put an effective reporting mechanism in place to provide people with an avenue to report illegal connections.

Before sharing what was established to support the SMC, it is important to understand what makes a reporting mechanism successful.

3.1 An effective reporting mechanism

An organisation's responsibilities include having an **effective whistle-blowing policy and putting in place**, and **managing processes** for people to blow the whistle on any misconduct. The organisation also needs to ensure that whistle-blowers are protected from any consequences of being identified in the public domain. A policy on whistle-blowing is required as the organisation holds a wider responsibility to its shareholders, staff and environment. It has a legal and moral responsibility to return value to shareholders; hold high ethical standards for its employees, customers, dealers, industry partners and vendors; and show care and respect for the natural and social environment affected by its operations.

It is the **employees'** responsibility to tell their employer of any misconduct. Should an employee not know what actions qualify as misconduct or how to report these actions, then it is that employee's responsibility to ask their employer.

Who should blow the whistle? **Anyone** (including employees, customers, industry partners, vendors, etc.) can blow the whistle if he or she knows of misconduct associated with the organisation; or if he or she has reasonable grounds for believing that an activity is misconduct.

As part of every investigation, the organisation needs to make sure that it does everything possible to **protect the whistle-blower**, e.g., ensuring reporting remains confidential or anonymous, court interdicts, extra security, etc.

The organisation needs to **treat all whistle-blowers fairly** and should not victimise or disadvantage a whistle-blower in any way, even if a report turns out to be misguided or false, providing of course, that, should this be the case, the whistle-blower reported the misconduct in good faith and believed it to be true.

Whistle-blowers must be given the **choice** to be identified or stay **anonymous**. If a whistle-blower gives a report confidentially, he or she provides his or her name and the organisation promises not to pass it on to anyone else. If a whistle-blower wishes to report anonymously, he or she does not provide his or her name and should be able to report to an anonymous tip-off phone line so that no-one will know his or her identity. Obviously the person's identity is at risk if he or she tells anyone else about the report (Professor Willem Landman, Chief Executive Officer of the Ethics Institute of South Africa).

The following extracts from an article written by Dr Janette Minnaar-van Veijeren from the Ethics Institute of South Africa on the value of a whistle-blowing facility provide some interesting information:

"In a global fraud survey of Ernst & Young in 2003 it was shown that nearly 40% of all frauds were prevented and/or detected by either internal or external whistle-blowers. A study by the Association of Certified Fraud Examiners in the USA during 2002 revealed that organisations with an anonymous whistle-blowing mechanism were losing an average of 50% less money to fraud than organisations without one."

“Although a whistle-blowing facility is not an easy mechanism to implement, it is one of the **most important tools** an organisation can use in the fight against crime. The value of such a facility, provided that it is properly governed and fairly administered, cannot be commended enough.”

In terms of reporting electricity theft, people will most likely be reluctant to report if the reporting mechanism is not anonymous or confidential. **Anonymity and confidentiality is therefore crucial.** It is imperative that such a reporting mechanism has an effective feedback channel and that all calls are attended to in an effective and efficient manner, with progress reported to the reportee via web/reference number or other relevant mechanisms.

3.2 Implementing a reporting mechanism for the Eskom ELP SMC

The **main objectives** of the Eskom ELP SMC are as follows:

- To influence the voluntary behaviour of consumers to be legal users, by reducing the number of illegal electricity consumers
- To mobilise citizens to report and prevent illegal connections
- To deal with illegal electricity consumption, by building partnerships.

In order to provide the mechanism for people to report illegal connections, **Eskom needed to ensure effective reporting channels.**

A **study** was, therefore, conducted to assess the best fit option for a reporting facility for electricity theft. The study benchmarked with the National Standard for Reporting Lines developed by the Ethics Institute of South Africa and looked at the following options:

- The current Eskom Crime Line (0800 11 27 22)
- The current Eskom Contact Centre (08600 ESKOM)
- The independent Primedia Crimeline (32211).

The study highlighted some key **considerations**:

- Reporting mechanisms are based on a set of **principles/standards.**
- It is essential that those wanting to report wrongdoing are **assured** of **anonymity** and **confidentiality.**
- The **independence** of such a reporting line is critical to its success.
- The **effective investigation** and **management of reported cases** is as important as the efficiency of operations of the reporting facility.
- The existence of **effective feedback mechanisms** is a critical consideration for implementing an effective reporting line process.
- Adopting a **systems approach** allows the reporting line to be viewed as an end-to-end process.
- A strict **ethical code** and the **highest level of professionalism** need to be maintained in managing the reporting process from disclosure to conclusion.
- **Communications** of the work of the reporting line as well as its results (especially where there is a stream of successes) are crucial.
- The reporting line must be made **available 24 hours** a day, **all year** round and in all the **key languages** to ensure that it caters for all members of the target groups.
- Best practice cases suggest that an **accountability framework** needs to be in place to ensure that reported cases are tracked, monitored, reported on and concluded in compliance with the prescribed policies of the organisation
- To ensure that reporting actually takes place it is important to make sure that people can report through **various means**, e.g., mail, e-mail, voice, SMS, etc.

- The reporting line needs to be staffed with **employees** who have the requisite **skills** and **competencies** required to interact with whistle-blowers, investigate these reports, etc.
- The **information generated** through the reporting line should **form a basis for strategic planning** and **decision making** with regards to future actions and programmes of a preventative nature.
- Best practices suggest that the organisation must be able to **act effectively** on all useful information submitted through the reporting line to remain credible.
- Anecdotal evidence points to the **existence of a silo mentality** and approach to managing reported allegations.
- Eskom would be unable to demonstrate measurable outcomes in the absence of a **comprehensive prosecution** and **law enforcement framework**.
- **Incentives** and **rewards** for whistle-blowers who provide credible information leading to convictions or prosecutions should **not be provided for**, as the ELP SMC is aimed at establishing positive social behaviour based on a moral philosophical stance.

Taking the above points into consideration, the **recommendation** was to follow a **combination approach**: a partnership between the **Primedia Crimeline** and the **Eskom Crimeline**. It was recommended that the Primedia Crimeline be publicised as the primary reporting facility for electricity theft, supported by the Eskom Crimeline.

Some **advantages** for the above recommendation include:

- Addressing the issue of **anonymity**, as the Primedia line can be used for anonymous SMS and web-based tip offs and the Eskom Crimeline can offer more options (voice, e-mail, fax, etc.) for those members of staff and the public for whom anonymity is not a concern
- Placing emphasis on the **partner model** (shared responsibility philosophy) towards addressing electricity theft
- **Registering** cases reported automatically to **SAPS**
- Creating the potential for **direct partnership** with **SAPS** at an operational level through the Crimestop facility.

The ELP team engaged with the Primedia Crimeline management. Primedia Crimeline agreed to participate and a **partnership was established**. SAPS's Crimestop national and regional structures were also included in this offering.

Eskom accepted the recommendation and ELP started to unpack the processes and workflows to ensure quick and effective responses to reports (DRAFT fcb Social Marketing Progress Presentation, 15 December 2009).

4. Eskom ELP Amnesty Campaign

As part of the ELP SMC, it was recommended that Eskom implement an **Amnesty Campaign** to provide illegal electricity users with the opportunity to come forward and 'come clean'.

Before sharing what was decided in terms of an Amnesty Campaign for Eskom, it is important to understand what amnesty is.

4.1 Amnesty for Eskom ELP

The word 'amnesty' comes from the Greek word 'amnestia', meaning oblivion. It shares this root word with 'amnesia', which means a loss of memory. Amnesty, in law, refers to an **exemption from prosecution for criminal action**. It signifies forgiveness and the forgetting of past actions. The criminals are offered a promise of immunity from prosecution if they will abandon their unlawful activities. An amnesty, however, should be distinguished from a pardon, which is an act of forgiveness after the criminal has already been convicted (The Columbia Electronic Encyclopaedia).

Amnesty is either expressed or implied; it is expressed when declared in direct terms; and it is implied when a treaty of peace is made between contending parties.

It is generally acknowledged that amnesty processes by their very nature are unfair due to the fact that they often target offenders at the expense of those who comply with legislative requirements.

Amnesties may contribute to a culture of impunity, with offenders believing that they are likely not to be prosecuted.

Amnesty is normally subject to the submission of an application and generally offers an opportunity to those who want to become legal; as such it creates a base for future compliance with relevant laws.

In cases where a massive number of violators are involved, amnesty processes are seen as a more affordable option due to the expenses attached to prosecutions (DRAFTfcb Social Marketing Progress Presentation, 15 December 2009).

4.2 Implementing an Amnesty Campaign for the Eskom ELP SMC

One of the social marketing channels suggested to address the issue of illegal electricity use was the structuring and publicising of a period of **amnesty** for defaulters to come clean. This would give good impetus to identifying illegal users and getting them registered on Eskom's system. This approach has been proved to work well, as the South African Revenue Service (SARS) example clearly illustrates.

A **feasibility study** was conducted to assess the feasibility of such an amnesty process for Eskom. The study looked at similar interventions that were implemented within Eskom, similar cases locally as well as internationally, and identified the requirements of a typical amnesty process if Eskom were to adopt it.

The similar cases reviewed by the study included the following:

- Eskom (also included developing an understanding of the Soweto debt write-off)
- SARS (small business tax amnesty)
- South African Competition Commission (corporate leniency—targeting the cartels)
- Delhi Electricity Amnesty.

The key lessons learnt from the reviewed cases were as follows:

- The extent to which amnesty is effective and efficient is dependent on how the actual **programme** is **designed** and **implemented**, as such the following factors are critical:
 - Building a programme that is **acceptable to all key stakeholders** without undermining their roles
 - Building a programme that will cause **illegal consumers to come forward** and voluntarily report their transgressions, especially in a situation where such have previously gone undetected
 - Determining **how to implement** a successful amnesty programme, i.e., how to manage the implementation process and critical success factors.
- An underlying belief is that, **generally, people/businesses want to comply** with legislative requirements. However, there are a number of factors that cause them to transgress, e.g., opportunity, socio-economic factors, a strong perception that they will not get caught, etc.
- A clear and supportive **legislative** and **prosecutorial framework** must be in place (to allow for the amnesty process, as well as ensure sustained compliance beyond the amnesty period through prosecution and other relevant measures).
- A **willingness** and **capacity** should be available to **enforce** the relevant **legislation** in situations where there is non-compliance.
- A clear set of **incentives** for **self disclosure** and conversely, a clear set of **factors** to **deter non-disclosure**, should be offered.
- A clear **business case** for embarking on the amnesty process should be drawn up, i.e., a clear articulation of results that need to be achieved.
- Effective and efficient **stakeholder engagement and management** is imperative. It is important to ensure that all relevant stakeholders are involved in the process, that there is clarity of roles and responsibilities, and that all stakeholders are on board. Targeted awareness and education campaigns would be critical in this regard.
- **Comprehensive systems** to **support** the implementation process should be in place, to ensure optimum integration with business operations.
- It is important to make sure that **leadership** within the organisation **buy into** the amnesty process.
- Lastly it is important to ensure that **all employees** are **involved** in the process to the fullest extent possible (the process should be owned by all employees).

The study highlighted some reasons why amnesty can work for Eskom:

- Currently **Eskom already provides** amnesty to Large Power Users (LPU) with relative success; amnesty is not an entirely new concept within the context of energy losses.
- Providing amnesty is **consistent with the overall SMC**—amnesty can provide an opportunity to those consumers who want to become legal and, therefore, can be used to accelerate the transition in-line with the behavioural change framework.
- Amnesty is not an alternative to prosecution but can provide an **opportunity to fast-track the legalisation of consumers**. In fact, amnesties work well with proper enforcement of laws.
- Eskom and its partners will **never have enough capacity** to properly **audit** and **enforce** all legislation that deals with the illegal consumption of electricity.

Ideal proposed amnesty process for Eskom:

The study suggests the process show in Figure 3 below as the ideal amnesty process for Eskom.

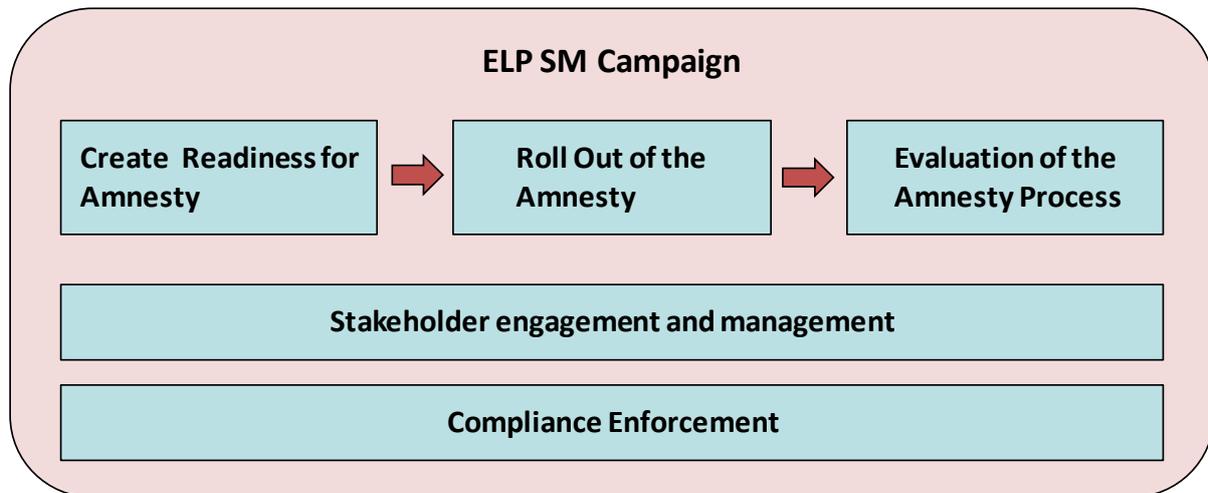


Figure 3: ELP SMC Amnesty Process

Firstly a **readiness** for amnesty should be created in Eskom, then a **roll out** of the amnesty, followed by an **evaluation** of the process. This should be supported by a **stakeholder engagement/management** process and a **compliance enforcement** process, run in parallel with the amnesty process.

The identified critical success factors will include the following:

- A clear definition of the problem positioning (electricity theft is not only an 'Eskom problem')
- Optimum programme design
- Leadership buy-in
- Employee ownership
- Stakeholder buy-in
- Creation of a dedicated capacity to manage the process
- Integration.

Factors that need to be considered in planning an amnesty process for Eskom include the following:

- Who should be targeted by the amnesty process? LPU's? Small Power Users (SPUs)? Prepaid Power Users (PPUs)? Syndicates? Or combinations thereof? What are the implications?
- Do you differentiate those who can afford to pay from those who cannot afford to pay?
- Under what circumstances will employees be offered amnesty? What incentives should be considered for employees who want to come forward?
- What should be offered as part of the amnesty?
- Does one apply stiffer penalties?
- How does one address the challenge of those who genuinely cannot afford to pay their bills but want to be legal nevertheless?
- What incentives, if any, can be offered as part of the amnesty process?

- What structure will be adopted for the implementation of the amnesty? Current structure vs. the creation of a new structure?
- Head office vs. Regional office involvement (DRAFTfcb Social Marketing Progress Presentation, 15 December 2009)?

The study **recommended** that Eskom designs and implements an amnesty-type process for illegal electricity users for a specified period, to normalise their business with Eskom.

The recommendation was **accepted** by the business and the ELP team started unpacking the process and format of the amnesty offering.

5. Conclusion

An intensive process was followed to investigate the principles for an effective reporting line and Eskom Distribution has accepted and implemented these principles. The reporting line and structure to manage the line have thus been implemented. The partnership with the Primedia Crimeline has enhanced the profile of the initiative.

At the outset the project conducted extensive research, both locally and internationally on the approach and practice of amnesty for customers. Eskom defined its desired outcomes and principles and these formed the foundation of the approach to amnesty. A comprehensive guideline to amnesty within Eskom areas has been developed and Eskom has in principle accepted its recommendations.