RETAIL ENERGY CODE

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01	Proposal Plan
02	Impact Assessment
03	Consultation
04	Final Recommendation

CHANGE REPORT

I0173 – IMPROVEMENTS TO THE THEFT DETECTION INCENTIVE SCHEME (TDIS)

DOCUMENT VERSION	V1.0
PROPOSED IMPLEMENTATION DATE	01/04/2025
IMPLEMENTATION APPROACH	BIG BANG

RESPONSIBLE COMMITTEE	CHANGE PANEL	CHANGE PATH	AUTHORITY DETERMINED
PRIORITY STATUS	CRITICAL	URGENCY	STANDARD
IMPACTED STAKEHOLDERS	ENERGY SUPPLIERS, THE CODE MANAGER, CONSUMERS		

LEAD ANALYST	ASSURANCE LEAD (SOLUTION LEAD)	SUBJECT MATTER EXPERT
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OVERVIEW

This Change Issue proposes that not only Confirmed Energy Thefts are incentivised within the Theft Detection Incentive Scheme (TDIS) but also Energy Theft Desktop and Site Visit Investigations.

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BACKGROUND

1 SUMMARY

The Theft Detection Incentive Scheme (TDIS) exists to incentivise Suppliers to resolve Energy Theft however, as noted in the Ofgem letter dated 14 November 2023, Suppliers' overall performance has been around 40% of their targets.

The current TDIS was inherited from legacy codes and has proved challenging for affected Parties. One of the challenges for Suppliers in being able to meet their targets, is that the TDIS only rewards Confirmed Energy Thefts.

This Change Issue proposes that not only Confirmed Energy Thefts are incentivised but also Desktop and Site Visit Investigations. It is hoped that incentivising positive actions and removing this financial disincentive to undertake such investigations without assurance, that this would convert into a Confirmed Energy Theft, would increase the overall performance of Suppliers within the scheme and the number of Confirmed Energy Thefts found and rectified.

2 PROBLEM STATEMENT

Suppliers are not currently meeting their TDIS Theft targets within each TDIS Reporting Year because there may be financial disincentives to undertake investigations where there is no assurance that such investigations would convert into a Confirmed Energy Theft.

3 IMPACTS

CONSUMERS
Gas and Electricity Consumers

REC PARTIES AND SERVICE USERS
Gas and Electricity Suppliers

RECCO / REC CODE MANAGER
REC Performance Assurance

REC DOCUMENTS / PRODUCTS
Schedule 1 – Interpretations and Definitions
Schedule 7 – Energy Theft Reduction
The Performance Assurance Reporting Catalogue (PARC)

MHHS DESIGN
No impact.

MHHS DATA SPECIFICATION
No impact.

MHHS CODE DRAFTING
No impact.

4 CROSS CODE IMPACTS

No cross-code impacts have been identified.

5 PROPOSAL PLAN

Milestone	Activity	From	To
Definition		**24-Apr-24**	**31-Oct-24**
	Solution Development	April	August
	Impact Assessment	August	September
	Legal Review	September	October
	Solution Refinement	October	October
Change Proposal		**31-Oct-24**	**29-Nov-24**
	Business Case Assessment	October	October
	Consultation	October	October
	Final Determination	November	November
Voting		**03-Dec-24**	**03-Dec-24**
	Issued for Authority Determination	04-Dec-24	04-Dec-24

6 STAKEHOLDER ENGAGEMENT

This Change Issue is being discussed and developed through the REC Theft Issues Group (TIG).

Following the TIG in August 2024, this Change Issue plans to proceed to a 15 Working Day (WD) Party Impact Assessment targeting Suppliers. The Code Manager will consider Impact Assessment responses and develop the case for change and an updated Change Report will be published alongside a 15WD Consultation. Responses will be discussed at the monthly TIG meetings for input and consideration for the Code Manager's recommendation.

7 PRIORITY STATUS AND URGENCY

Category	Significance / Resource impacts / Urgency	Further selection / breakdown	Score (0-3)	Weighting	Weighted Score
Impacts	Consumer Impact	Indirect	1	27	27
	Retail Markets Impact	Retail Risk(s)	3	17	50
	RECCo / REC Party / REC Service Provider Impact	Operational Effectiveness and Efficiencies	2	7	13
		Legal and Regulatory Compliance	2	14	28
Resource	Complexity / Effort / Duration		2	9	18
Strategic Alignment	Contribution to/ Alignment with the objectives of the REC		2	17	17
	Contribution to/ Alignment with RECCo's Forward Work Plan		3		25
Urgency *(The need to progress a change to meet a targeted date)*		Other Planned Activity	3	10	30
				Overall Priority Score (rounded)	208

Priority Status	CRITICAL
Change Proposal Type	STANDARD

8 SUMMARY OF ANALYSIS UNDERTAKEN

This Change Issue was raised following the first TIG on 24 April 2024 and attendees were invited to offer solutions to improve the TDIS. At the TIG meeting on 29 May 2024, the Code Manager brought four potential options for improvements to the TDIS for discussion as follows:

- Payment for all investigations
- Payment for site visits
- Payment for specific lead sources
- Enhanced payment for targeted activities.

TIG attendees' preference was the option for payment for **all investigations** and it was agreed for this solution to be further developed and presented at the following meeting on 26 June 2024. The draft definitions for changes to Schedule 1, calculations and legal text for Schedule 7 and alterations to the PARC was agreed to be drafted for 31 July 2024. TIG attendees were invited to contribute to and refine the proposed solution for all investigations.

The solution development report and draft, red-lined legal text is planned to be presented at the TIG meeting on 28 August 2024 in preparation for Party Impact Assessment.

Data analysis on some example calculations was also provided which can be found here. These values were driven by assumptions regarding performance against target and investigation conversion including proportion of investigations leading to Site Visits.

9 PROPOSED SOLUTION

9.1 OVERVIEW

The solution under I0173 will provide an incentive payment for investigations completed. This may be an investigation completed through a Confirmed Energy Theft and these incentive payments will continue to be valued on the existing scheme mechanism or through investigations that have concluded but not converted into a Confirmed Energy Theft. This will provide differential levels of payments for Desktop and Site Visit Investigations. Desktop Investigations will only result in an incentive payment where it relates to an Energy Theft Tip Off Service (ETTOS) lead and this requirement will be documented within the Theft Target Methodology (TTM) Category 3 Document and reviewed annually.

Further detail on the proposed draft solution can be found within the Solution Development Report.

10 DRAFT LEGAL TEXT

The draft legal text changes to deliver the proposed solution to I0173 can be found here.

11 KEY RISKS ISSUES ASSUMPTIONS AND DEPENDENCIES

11.1 ASSUMPTIONS AND DEPENDENCIES

NO.	ASSUMPTION	NOTES	HOW/WHEN TO VALIDATE
A01	There is the assumption that only one incentive payment per instance of theft will be paid.	The level of payment is to be determined once a theft investigation is closed.	Confirmed.

NO.	DEPENDENCY	NOTES	STATUS
D01	This Change solution is dependent on the multipliers for the Theft Detection Value (TDV) being incorporated and implemented within the TTM for implementation on 01 April 2025.	A Category 3 Change Proposal will be raised for the alterations to the TTM.	Open.

12 APPENDIX

CHANGE PROPOSAL	Link
LEGAL DRAFTING	Link
SOLUTION DEVELOPMENT REPORT	Link
EXAMPLE CALCULATIONS	Link

13 GLOSSARY

TERM	DEFINITION
Confirmed Energy Theft	means that the holder of an Energy Licence (or person acting on their behalf) reasonably determines that, on the balance of probabilities and taking into account all of the evidence then available, one or more instances of Energy Theft has occurred. Such a determination may not be made unless sufficient evidence is held to substantiate the occurrence of Energy Theft, including (as a minimum): (a) an indication of theft via a desktop review of consumption levels; and (b) a report of a site visit where access was successful; and (c) photographic (or sketch) evidence of the theft, including illegal connection/bypass or meter tampering.
Energy Supplier	means a person which is either or both an Electricity Supplier and/or a Gas Supplier.

Energy Theft	Includes: (a) circumstances described in Paragraphs 5(1) (Restoration of connection without consent) and 6(1)(a) (Damage to electrical plant etc) of schedule 6 to the Electricity Act (in so far as they relate to an electricity supplier; (b) circumstances described in Paragraph 6(1)(b) (Damage to electrical plant etc) of schedule 6 to the Electricity Act; (c) circumstances described in Paragraph 11(1) (Interference with meters) of schedule 7 to the Electricity Act; (d) circumstances described in Paragraphs 10(1)(a) and 11(2) of schedule 2B to the Gas Act (in so far as they relate to a gas supplier); and (e) circumstances described in Paragraphs 10(1)(b) and 10(1)(c) of schedule 2B to the Gas Act.
Energy Theft Tip-Off Service (ETTOS)	is described in Annex 2 of the Energy Theft Reduction Schedule.
Indicative TDIS Summary Report	means the report of that name described in Paragraph 7 of Annex 3 of the Theft Reduction Schedule.
Office of Gas and Electricity Markets	Ofgem is the regulator for Britain's gas and electricity industries, overseen by the Gas and Electricity Markets Authority (the Authority)
TDIS Reporting Year	means, unless otherwise agreed by the REC PAB for any given period, 1 April to 31 March.
TDIS Reporting Year Summary Report	means a document of that name to be issued by the Code Manager to each TDIS Qualifying Supplier and to the REC PAB in accordance with the Energy Theft Reduction Schedule, Annex 3
Theft Detection Value (TDV)	has the meaning given in Paragraph 4 of Annex 3 of the Energy Theft Reduction Schedule.
Theft Target	means the target number of Confirmed Energy Thefts to be identified by each Energy Supplier, to be determined in accordance with Paragraph 3 of Annex 3 of the Energy Theft Reduction Schedule.

Theft Target Methodology (TTM)	is a methodology for determining Theft Targets, established and maintained by the Code Manager under Paragraph 7 the Energy Theft Reduction Schedule.