RETAIL ENERGY CODE

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01	Proposal Plan
02	Impact Assessment
03	**Consultation**
04	Final Recommendation

CHANGE REPORT

R0233 – INTRODUCTION OF AN ENERGY THEFT UNIT (ETU) UNDER THE REC

DOCUMENT VERSION	1.0
PROPOSED IMPLEMENTATION DATE	27/06/2025
IMPLEMENTATION APPROACH	Big Bang

RESPONSIBLE COMMITTEE	CHANGE PANEL	**CHANGE PATH**	AUTHORITY DETERMINED
PRIORITY STATUS	MEDIUM	**URGENCY**	STANDARD
IMPACTED STAKEHOLDERS	ENERGY SUPPLIERS, DNOs, GAS TRANSPORTERS		

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

This proposal is seeking to introduce an Energy Theft Unit (ETU) under the REC. This unit would be provisioned by the City of London Police (and provide GB wide coverage) to investigate and prosecute identified organised Energy Theft and associated crime.

CODE MANAGER RECOMMENDATION

The Code Manager minded-to position is to recommend that the Change Panel:

- **APPROVE** the proposed change solution;
- **APPROVE** the proposed implementation approach; and
- **APPROVE** the proposed implementation date of 27 June 2025.

RETAIL ENERGY CODE

CONTENTS

1 Summary 3
2 Problem Statement 3
3 Impacts 3
4 Cross-Code Impacts 4
5 Proposal plan 4
6 Stakeholder Engagement 4
7 Priority Status and Urgency 5
8 Summary of Analysis Undertaken 5
9 Proposed Solution 6
10 Draft Legal Text 6
11 Risks, Assumptions, Issues and Dependencies 7
12 Business Case Assessment 7
13 Case for Change 9
14 Appendix 9
15 Glossary 10

RETAIL ENERGY CODE

BACKGROUND

1 SUMMARY

Energy Theft is a significant issue, costing Consumers between £457 million and £760 million annually (based on Autumn 2024 retail prices). Energy Theft also poses safety risks, particularly due to tampered meters, which have caused fatal incidents.

While industry Parties undertake activities to prevent, detect and investigate Energy Theft in line with their licence obligations, consistent feedback suggests they can find it hard to engage with and secure the support of the police to pursue investigations. This lack of police engagement and low level of prosecutions, in turn, contribute to a low level of deterrent. However, it is also recognised that police resources are limited and that any requests for support or referrals of suspected Energy Theft from the industry must compete against numerous policing priorities.

2 PROBLEM STATEMENT

Whilst existing measures under the REC, such as the Energy Theft Tip-Off Service (ETTOS) and Theft Detection Incentive Scheme (TDIS) seek to provide information on likely instances of Energy Theft and the incentives to investigate them, there are currently insufficient enforcement mechanisms and coordination with law enforcement agencies. Energy Theft is an illegal activity where criminal charges are being awarded if perpetrators are prosecuted. However, these are rarely happening due to limited police engagement and inconsistent prosecutions. This means offenders may re-offend given the low deterrent.

3 IMPACTS

CONSUMERS
All Consumers

REC SERVICE PROVIDERS
REC Performance Assurance

RECCo/REC CODE MANAGER
RECCo

REC PARTIES AND SERVICE USERS
Secure Data Exchange Service
Energy Theft Tip Off Service (ETTOS)

REC DOCUMENTS / PRODUCTS
Performance Assurance Schedule
Energy Theft Reduction Schedule

MHHS DESIGN
No impact identified.

MHHS DATA SPECIFICATION
No impact identified.

MHHS CODE DRAFTING
No impact identified.

4 CROSS-CODE IMPACTS

No cross-code impacts have been identified.

5 PROPOSAL PLAN

Milestone	Activity	From	To
Definition		**13 Jan-25**	**28 Feb-25**
	Legal Review	**Complete**	**Complete**
Change Proposal		**28 Feb-25**	**06 May-25**
	Business Case Assessment	**Complete**	**Complete**
	Consultation	March	April
	Solution Refinement	April	May
	Final Determination	May	May
Voting		**06 May-25**	**06 May-25**
	Issued for Authority Decision	**07 May-25**	**07 May-25**

6 STAKEHOLDER ENGAGEMENT

This proposal has been raised as an Issue with a proposed solution which has been reviewed by the Code Manager and is currently under a legal review. This proposal has been initially outlined in RECCo's 'Outline Business Case: Proposal to create a new energy theft enforcement service in partnership with the City of London Police'. In November – December 2024, RECCo conducted a consultation on this,therefore, the Code Manager will not conduct a Party Impact Assessment. The key notes following the responses received by RECCo to this consultation can be found here.

This consultation is to be conducted from 19 March to 2 April 2025 for REC Parties to provide views on the proposed solution. As the introduction of ETU has been previously consulted on, this consultation will be issued for 10 Working Days, rather than the standard 15 Working Days.

7 PRIORITY STATUS AND URGENCY

PRIORITISATION MATRIX

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)	1	17	17
	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		1	9	9
Strategic Alignment	Contribution to/ Alignment with the objectives of the REC		2	17	17
	Contribution to/ Alignment with RECCo's Forward Work Plan		2		17
Urgency *(The need to progress a change to meet a targeted date)*		Other Planned Activity	2	10	20
				Overall Priority Score (rounded)	148

Priority Status	MEDIUM
Change Proposal Type	STANDARD

The priority status for this Issue is medium based on a weighted prioritisation score of 148 and has been assessed as a Standard Change Proposal type.

SOLUTION

8 SUMMARY OF ANALYSIS UNDERTAKEN

The Energy Theft of electricity and gas is a significant challenge for the energy industry, increasing costs to consumers and threatening public safety. Global losses are estimated at £96 billion per year. Research completed in 2022 by RECCo suggested that losses to Energy Theft in Great Britain were between 636 - 1,059 GWh of gas and 1,703 – 2,837 GWh of electricity per year. Adjusted to current prices, that same volume of Energy Theft would be worth £457 - £760 million.

While exact numbers are unknown, metering tampering in GB is thought to be widespread, with models predicting 801,560 cases, broken down as follows:

- 43,720 electricity theft instances in commercial buildings
- 641,520 electricity theft instances in residential buildings
- 1,980 gas theft instances in commercial buildings
- 114,340 gas theft instances in residential buildings.

That combined total of 801,560 predicted by the model would represent 1.46% of the c55m meter points. Breaking it down further, the model suggests that Energy Theft is more prevalent in electricity than gas, with the predicted 685,240 cases being 2.3% of the c.30m electricity meter points, while 116,630 cases would represent 0.46% of gas meter points.

The insurer Direct Line reports that nearly half of electricians and gas engineers have been asked to tamper with meters to slow them down, with a third having spotted evidence of tampering[1]. Energy Angels, an organisation working in the social housing sector estimates that

[1] See: https://www.directlinegroup.co.uk/en/news/brand-news/2023/06062023.html

over the course of 2023 alone, it came across around 9,300 cases of Energy Theft amongst the portfolios of social landlords for whom it provides services[2].

While smart meters provide a new tool against (Energy) Theft, the data from them is currently under-utilised and may fall short of traditional methods. For instance, prosecutions for electricity abstraction have dropped by 90% since obligations for biannual meter inspections were removed from supply licences in 2016 (See Appendix 4 of 'Outline Business Case: Proposal to create a new Energy Theft enforcement service in partnership with the City of London Police').

9 PROPOSED SOLUTION

The proposal seeks to introduce a new Energy Theft Unit (ETU) under the REC. The new unit, provisioned by the City of London Police, will be introduced under Schedule 7 Energy Theft Reduction. The aim of the unit would be to mitigate safety risks, financial losses, and the operational impacts of Energy Theft while fostering deterrence and supporting industry-wide consumer protection goals. The minimum commitment to the ETU is for an initial period of three years.

The creation of the ETU will be carried out in partnership with the City of London Police, emulating successful collaborations in the insurance, intellectual property, and banking sectors. This approach will leverage law enforcement expertise to address the urgent issue of Energy Theft.

In addition to the ETU, there is a parallel change proposal proposing to establish a new REC Service referred to as the Referral Assessment Service (RAS). This change proposal is R0234 - Introduction of an energy theft Referral Assessment Service under the REC. The RAS would play a crucial role in supporting a dedicated police team tackling Energy Theft by acting as the initial filter and coordinator for cases, ensuring that only high-quality, actionable intelligence reaches the police unit.

The ETU will consist primarily of police officers and support staff responsible for investigation, enforcement and data analytics. This could be extended to include public outreach and social media monitoring. The ETU, supported by the RAS, will act as a focal point to facilitate increased coordination between industry parties and other agencies, improving upon information gathering and sharing to create enhanced insights and actionable intelligence.

10 DRAFT LEGAL TEXT

The legal text changes to deliver the proposed solution to R0233 can be found here.

[2] 'Unveiling the impact of energy theft: environmental impact and legal consequences' – Energy Angels

11 RISKS, ASSUMPTIONS, ISSUES AND DEPENDENCIES

11.1 RISKS AND ISSUES

NO.	RISK	NOTES	MITIGATION
1	The Police may struggle to recruit the required ETU resources on time.	Delays could reduce industry confidence in RECCo and project engagement.	Engage with the City of London Police at both operational and senior levels. Consider phased implementation (e.g. start with analytical support, add detective support later) and ensure the ETU contract includes sufficient notice for staff redeployment if needed.
2	Insufficient Energy Theft data outside TDIS reporting from suppliers.	Reduces ETU's operational effectiveness.	Base assessments on available data and report gaps to consider for future use.

11.2 ASSUMPTIONS AND DEPENDENCIES

NO.	DEPENDENCY	NOTES	STATUS
1	Implementation of RAS	There is a consideration that if R0234 (Introduction of an Energy Theft Referral Assessment Service under the REC) is rejected by the Authority, the implementation of this Change Proposal will need to be re-assessed.	In progress

12 BUSINESS CASE ASSESSMENT

12.1 COSTS

Establishing and operating the new theft enforcement service including ETU and RAS will require adequate financial resources to support personnel, technology investments, training programs, and operational expenses. The funding arrangements must ensure the sustainability and effectiveness of the proposed strategy while minimising the financial burden on stakeholders.

Based on the business case published and consulted by RECCo, it is proposed that RECCo would enter into a sponsored services agreement funded by the energy industry, similar to the ETTOS arrangement with Crimestoppers. The cost for the ETU is forecasted to total £1.6m (ex VAT) per year (2024 prices) to cover setup costs and staffing. This would be for an initial three-year commitment, and subject to 12 months' notice of termination. As the volume of referrals is unpredictable, it was determined that a fee-based approach would be practicable. While the source of referrals may not be limited to Energy Suppliers alone, it is proposed that the cost of

the sponsored services agreement would be recovered from Energy Suppliers, contributing funds relative to their market share pursuant to Clause 9 of the REC.

12.2 BENEFITS

INTANGIBLE BENEFITS	BENEFITS DESCRIPTION
DETERRING AND REDUCING CRIME	Providing a visible, dedicated response to Energy Theft to discourage offenders.
ENHANCING SAFETY AND RELIABILITY	Minimising risks associated with tampered energy supplies, which can endanger public safety.
REDUCING FINANCIAL BURDEN ON CONSUMERS	Lowering the costs passed on to consumers as a result of stolen energy.
SUPPORTING INDUSTRY COLLABORATION	Creating a centralised and consistent enforcement pathway that involves all industry parties.
PROMOTING FAIR COMPETITION	Ensuring that Energy Suppliers impacted by Energy Theft are supported in safeguarding their services and resources.

12.3 COST BENEFIT ANALYSIS

A cost benefit analysis was conducted by RECCo in the Outline Business Case.

The Theft Estimation Methodology (TEM) modelling estimated that losses of between 636 - 1,059 GWh of gas and 1,703 – 2,837 GWh of electricity, which during Oct-Dec 2022 would have given a cost of theft between £457 - £760 million (based on 2022 prices). For the purposes of the cost benefit analysis, the mid-range figure of £609m/year was used.

A Cost-Benefit Ratio (CBR) is a metric that compares the benefits of a project or initiative to its costs. A ratio greater than 1 indicates that benefits exceed costs, suggesting the project is worthwhile, while a ratio less than 1 suggests that costs outweigh the benefits. The greater the ratio, the greater the value for money. For the purposes of the CBR, it was assumed that the police partnership would have a consistent effect in reducing Energy Theft across the three-year period for which the initial agreement to fund ETU. In order to achieve a CBR of greater than 1, the partnership would need to reduce theft by just 0.33% over that period.

While it cannot be reasonably predicted at this time, what impact the police partnership will have, reducing existing levels of Energy Theft by just 1% over the three-year period would produce a net benefit to the industry of £12.3m, with a positive CBR of 3.05.

13 CASE FOR CHANGE

AUTHORITY DETERMINATION

The Code Manager believes that R0233 better facilitates the following REC Objectives:

OBJECTIVE	IMPACT TYPE	DESCRIPTION AND JUSTIFICATION
To ensure the REC operates and evolves in a manner that facilitates the achievement of its mission statement[3]	Positive	The Code Manager considers that this Change Proposal better facilitates this REC objective as it provides innovation in the Energy Theft space. Successful prosecution will provide a response to Energy Theft to discourage offenders.
To ensure customers interests and data is protected in the operation of the REC	Positive	The Code Manager considers that this Change Proposal ensures Consumer interests are protected as the cost of Energy Theft is currently borne by Consumers. Successful prosecutions that lead to deterring and reduction in Energy Theft crime, could lead to the lowering the costs passed on to customers as a result of stolen energy; as well as minimising risks associated with tampered energy supplies.
To drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructures it governs	Positive	The Code Manager considers that this Change Proposal better facilitates this REC objective as it provides continuous improvements to the industry's commitment to investigate and prevent Energy Theft.

14 APPENDIX

CHANGE PROPOSAL	Link
LEGAL DRAFTING	Link
ENERGY THEFT UNIT: BUSINESS CASE NOVEMBER 2024	Link
[ANY OTHER DOCUMENTS / LINKS]	[Document embedded or link]

[3] REC Mission Statement

RETAIL ENERGY CODE

15 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.
Theft Detection Incentive Scheme (TDIS)	is described in Annex 3 of the Energy Theft Reduction Schedule.