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	2.0
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 (CoLP) (and provide GB wide coverage) to investigate and prosecute identified organised Energy Theft and associated crime.

CODE MANAGER RECOMMENDATION

On 6 May 2025, in line with the Code Manager Recommendation, the REC Change Panel voted to recommend that the Authority::

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

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BACKGROUND

1 SUMMARY

Energy Theft remains a significant challenge for the energy market, imposing both financial and safety risks. Analysis conducted in December 2022 estimated that the volume of stolen gas and electricity equated to a cost between **£0.9 billion and £1.4 billion per year**. This figure represents a substantial socialised cost that is ultimately borne by honest Consumers through higher energy bills.

Building on this analysis, the updated estimate incorporated into the outline business case (OBC) for the Energy Theft Enforcement Service indicates that Energy Theft continues to account for annual losses at the upper end of that range (revised to between £457m and £760m based on Autumn 2024 default tariff cap prices), reinforcing the need for urgent and coordinated action.

Beyond the financial burden, Energy Theft also presents serious health and safety risks. Tampered meters and illegal connections can lead to dangerous incidents, including fires and explosions, as noted in a recent LinkedIn in post by Ofgem[1], highlighting the severe and tragic consequences of unaddressed Energy Theft.

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. Evidence from social media monitoring further suggests that this current lack of police engagement and low level of prosecutions, contribute to a perceived low level of risk and low 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.

As reported recently in the media[2], there are also organised criminal groups involved in the facilitation of Energy Theft as a service or to power large scale criminal operations such as cannabis cultivations.

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 a criminal offence, however perpetrators including serial facilitators are rarely prosecuted. While this is in part due to limited police engagement, anecdotal feedback suggests that some Energy Suppliers are also concerned about potential reputational damage of pursuing cases unilaterally. We believe this further increases the risk of injury or fatalities to the public given

[1] Meter tampering causes one death every 10 days in the UK.", **Ofgem, 24 April 2025.**
[2] Fake workmen who dug up roads to power cannabis farms jailed - BBC News

that safety concerns are not being addressed with consistent routes to prosecution and deterrent. Through the ETTOS service operated by Crimestoppers, we consistently receive detailed information relating to named persons carrying out illegal meter activities at Domestic, Non-Domestic and Commercial Premises. These reports are allocated to the relevant Parties as well as the local police Constabulary. However, there has been no mechanism to ensure police investigation and industry collaboration into the named individuals and therefore a route to, corroborative police intelligence, potential prosecution and robust continued deterrent.

Since the launch of the ETTOS in 2016 there has been a year-on-year growth in reports. We can be reasonably certain a proportion of this is due to our continued successful marketing campaigns. But it should also be considered in the context that Energy Theft continues to rise, again - driven by not just affordability – but a clear lack of robust deterrent. This signifies a potential increase in unsafe premises and rising risks to public safety.

Calendar Year	Number of Contacts Received	Number of Reports Received
2017	4,190	2,566
2018	6,398	3,131
2019	8,212	4,840
2020	10,024	6,376
2021	13,202	7,122
2022	14,639	10,497
2023	16,699	11,552
2024	17,725	12,653
2025 YTD (Jan-Mar)	5459	3900

Organised Criminal Groups

As per RECCo's Threat Intelligence and Social Media Monitoring Trial between 2023/24, this provided a snapshot of organised groups, advertising illegal Energy meter replacement services for profit, as well as pushing false legal advice and other profitable ideologies. These groups seem willing to travel across GB to carry out their activities. One such group, Free Energy Nationwide, were recently exposed on the BBC show[3], This Morning Live, offering to replace Energy meters for a fee.

[3] Morning Live - Series 6: 16/12/2024 - BBC iPlayer - (Segments at 10 mins and 34:30 mins).

RECCo provided a summary of the Social Media Monitoring Trial to Ofgem via email in October 2024.

Calculating membership[4] numbers and associated fees for the illegal meter swap service, it appears the most popular criminal groups will be profiting in the £millions annually.

Example: If only 5% of the 20K+membership accepted the meter swap service at the advertised rate of £500 for both meters, this would equate to £0.5m in illegal gains for only one of the known criminal groups. We cannot currently ascertain how many more groups are offering a similar illegal service, although 8 such groups were identified during the Social Media Monitoring Trial.

These Groups target vulnerable/impressionable individuals via social media and focus strongly on the alleged savings Consumers can make and the false ideologies to reassure the Consumers that what they are doing is legal.

Such groups can also be found discussing their ideologies as guests on popular YouTube channels[5].

Openly promoting these ideologies shows no fear of reprisals or prosecution, encourages illegal Consumer behaviour and the continued growth of such criminal enterprises.

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] Telegram: View @freeenergynationwide- (Currently 20K+ members.16,847 members recorded in November 2023)
[5] It has already been paid for!– Richard Vobes YouTube Channel – Interview with “Kayles”, front face of Free Energy Nationwide – 300K+ views

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	**Complete**	**Complete**
	Solution Refinement	**Complete**	**Complete**
	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 was raised as an Issue and discussed via the Energy Theft Reduction Expert Group and the Theft Issues Group, with a proposed solution which has been reviewed by the Code Manager. 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', which RECCo consulted upon directly In November – December 2024, The consultation questions and RECCo response can be found here[6].

As the introduction of ETU has been previously consulted upon and received strong support, the scope of the proposed drafting has no direct impact upon Parties, other than the expenditure of REC funds. In the interests of expediting the decision that will facilitate further work with the CoLP, the Code Manager determined that a Party impact assessment was not necessary. Further, the industry consultation has been issued for 10 Working Days, rather than the standard 15 Working Days. This change plan was unanimously agreed by the Change Panel.

The key points raised by respondents can be found in section 15 of this report.

[6] Partnering with City of London Police to Create a Dedicated Energy Theft Unit: Next Steps - Retail Energy Code Company

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 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[7].

In 2022 RECCo commissioned a **Theft Estimation Methodology (TEM)** report[8], to provide a robust, data-driven estimate of the scale and financial impact of Energy Theft across Great Britain. By analysing available data sources, including confirmed cases of Energy Theft, the TEM estimates that Energy Theft accounts for up to 1,069 GWh of gas and 2,837 GWh of electricity annually. At prevailing prices (linked to default tariff cap), that equated to a potential cost of up to £1.4 billion per year, which may add approximately £50 to each household's annual Energy bill.

For the purposes of the OBC, we retained the same volume of estimated Energy but revised the monetary value in line with the Oct-Dec 2024 default tariff cap, giving a revised financial estimate of £457 - £760 million.

The volumes of Energy losses attributed to Energy Theft, together with other sources of data such as confirmed thefts reported to RECCo for the purposes of the TDIS, reported to Crimestoppers and/or in the wider media, suggest that meter tampering in GB is widespread, The TEM data model calculated that there are around 800,000 cases:

- 44,000 electricity theft instances in commercial buildings
- 640,000 electricity theft instances in residential buildings
- 2,000 gas theft instances in commercial buildings

[7] Why Energy Theft Is Preventing Global Decarbonization", Forbes, Sept 2022

- 115,000 gas theft instances in residential buildings.

That combined total of 800,000 predicted by the model (TEM[8]) would represent 1.5% of the c55m Meter Points and also suggests that Energy Theft is more prevalent in electricity than gas.

The insurer Direct Line reports[9] 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[10]. Energy Angels, an organisation working in the social housing sector estimates that 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[11].

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 Energy 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'[12]).

9 PROPOSED SOLUTION

The proposal seeks to introduce a new 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. Please note that the City of London Police will travel across the breadth of GB to conduct investigations, ensuring assistance from local Constabularies when required.

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 RAS will assess referrals utilising relevant ETTOS leads, ongoing and historical TDIS data held solely by RECCo, to strengthen and corroborate referrals when possible. The RAS will also provide the necessary reporting output of ETU metrics and success factors to ensure the service is delivering meaningful change and to drive continuous improvement and value.

[8] RECCo - Theft Estimation Methodology Report
[9] Direct Line Article - Nearly half of electricians and gas engineers have been asked to tamper with meters to slow them down - Direct Line Group
[10] See: https://www.directlinegroup.co.uk/en/news/brand-news/2023/06062023.html
[11] 'Unveiling the impact of energy theft: environmental impact and legal consequences' – Energy Angels
[12] RECCo Strategic Outline Business Case

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 and collaboration between industry Parties and other agencies, improving upon information gathering and sharing to create enhanced insights and actionable intelligence. The ETU would have unique access to the holistic Energy Theft intelligence picture across GB.

Party Interaction and ETU Roles and Responsibilities

Typical interaction between the ETU and Parties would be via the RAS. The RAS would triage and assess Party referrals, corroborating these with other data when possible, to provide the ETU with a succinct and accurate referral, fit to investigate with immediate purpose. The ETU would then assess the referral, utilising unique police intelligence to enhance the investigation process. Any actions required of the referring Party, relevant to the ongoing ETU investigation, would thereafter be relayed back almost entirely from the RAS. This ensures that the RAS maintain overview of the end-to-end investigative process and considerations for evidential and reporting outcomes, removing the majority of the communication and auditing burden from the referring Party. There is obvious potential that the ETU may come across unknown issues when conducting Site Investigations and may contact Parties direct to attend and provide technical expertise – although this is known to be the case for most police requests when encountering tampering, cultivations and other unsafe environments.

On conclusion of an investigation following Party referral, the RAS will capture the outcomes in entirety and report these back to the referring Party. On the outcome of arrest and criminal charges, the referring Party will likely be required to provide evidence to support the prosecution report to the relevant judiciary. Party staff members may then be cited and required to attend Court proceedings to determine the outcome of the prosecution. Again, this justice system process will not be new for Parties who have supported previous police prosecutions.

In light of the expected prosecution outcomes and the required Court attendance, it may be prudent for Parties to nominate staff members best suited to accommodate these potentials where possible. These staff members would be the individuals responsible in the end-to-end process of referrals and any ongoing supporting information throughout the investigation, ensuring a seamless evidential timeline of involvement. This will also ensure that attendance to any court proceedings will require least resources and have minimal impact on business practices.

10 DRAFT LEGAL TEXT

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

PRELIMINARY ASSESSMENT

11 SUMMARY OF IMPACT ASSESSMENT ACTIVITY

11.1 SERVICE PROVIDER IMPACT ASSESSMENTS

REC PERFORMANCE ASSURANCE (RPA)	• REC Party Assurance (RPA) work will be limited to reactive investigation of issues, should they arise, to reflect the lower level of risk and nature of the service. • It was noted that RECCo's actions to assess the effectiveness of this unit and publish the results substantially address the performance risks associated with establishing the service.

11.2 REC PARTY IMPACT ASSESSMENTS

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 did not conduct a Party Impact Assessment. The key notes following the responses received by RECCo to this consultation can be found here.

12 RISKS, ASSUMPTIONS, ISSUES AND DEPENDENCIES

12.1 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.

12.2 ASSUMPTIONS AND DEPENDENCIES

NO.	DEPENDENCY	NOTES	STATUS
1	Implementation of RAS	The drafting of R0233 is intended to be complementary to R0234 (Introduction of an Energy Theft Referral Assessment Service under the REC). If R0234 is rejected by the Authority, the activities intended to be undertaken by the RAS may instead have to be performed by the CoLP ETU, which would divert resources from the front-line policing offered by the unit.	In progress

13 BUSINESS CASE ASSESSMENT

13.1 COSTS

Establishing and operating the new Energy Theft Enforcement service will require a stable and adequately resourced financial framework. This will support essential activities including personnel costs, technology investment, training and operational delivery. The funding model must ensure the sustainability and effectiveness of the proposed service while minimising undue financial burden on stakeholders.

In line with the business case published and consulted upon by RECCo, it is proposed that RECCo would enter into a sponsored services agreement with the City Of London Police funded by the Energy industry. This arrangement would mirror the established sponsorship model used for ETTOS operated by Crimestoppers.

The forecast cost for the ETU is £1.6m per annum (exclusive of VAT) at 2024 prices. This would cover all expected setup costs, ongoing staffing, operational resources, and service management for an initial term of three years with provision for termination subject to 12 months' notice.

Recognising that the volume of Energy Theft referrals is unpredictable, a fixed fee-based approach has been selected to provide financial certainty and operational flexibility.

Rather than charging based on referral volume or activity rates, the annual cost will be recovered through standard REC charges, apportioned on a per MPxN basis (Meter Point Administration Number), consistent with Clause 9 of the Retail Energy Code.

This means that both Domestic and non-Domestic Suppliers will contribute proportionately based on the size of their customer base, ensuring the costs are distributed equitably across the industry. Suppliers serving larger numbers of customers will contribute a greater share, while smaller suppliers will bear a correspondingly lower share, maintaining fairness and proportionality in line with REC charging principles.

This cost recovery approach ensures that the funding of the Energy Theft Enforcement Service is:

- **Predictable** and manageable for suppliers;
- **Proportionate** to market participation;

- **Consistent** with existing REC charging methodologies;
- **Aligned** with the wider objective of ensuring effective, industry-wide action to reduce Energy Theft for the benefit of all Consumers.

13.2 BENEFITS

INTANGIBLE BENEFITS	BENEFITS DESCRIPTION
DETERRING AND REDUCING CRIME	Providing a visible, dedicated response to Energy Theft to discourage offenders, particularly those who profit from Consumer vulnerability.
ENHANCING SAFETY AND RELIABILITY	Minimising risks associated with tampered Energy supplies, which can endanger public safety.
REDUCING FINANCIAL BURDEN ON CONSUMERS	Lowering the socialised costs passed on to Consumers[13] 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.

13.3 COST BENEFIT ANALYSIS

A cost benefit analysis was conducted by RECCo in the outline business case.

The 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 Energy Theft between £0.9 billion and £1.4 billion (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] Nearly half of adults expect to ration energy in coming months as average bills set to rise by over £100 - National Energy Action (NEA)

14 CASE FOR CHANGE

Following on from the summary of analysis undertaken above, there are reporting inconsistencies between REC Parties and police forces, along with the lack of a defined offence code for gas theft, which makes it challenging to assess the scale of Energy Theft. A November 2022 Freedom of Information request[14] by RECCo showed over half of police forces could not provide data on Energy Theft, citing limitations in record-keeping.

There is currently no mechanism for Energy Suppliers and Network Parties to share intelligence or reports of Energy Theft to identify links to organised crime or facilitators of widespread theft for profit, i.e. those offering tampering as a service. Each Energy Supplier is generally responsible only for detecting, investigating, and preventing Energy Theft in the properties they supply. They do not have an obligation or legal remit to investigate tampering or theft involving meters registered to other suppliers or addresses outside their own portfolio.

This limitation often makes it challenging to address organised Energy Theft or cases in which offenders tamper with multiple meters across different suppliers. REC Parties report theft at individual addresses per REC guidelines but aren't obligated to report it as a crime or seek prosecution. Suppliers must retain removed meters as evidence for six months, but reporting practices vary, with no standard police process for action. Addressing widespread or cross-supplier theft effectively requires a coordinated approach, involving law enforcement.

We consider that the creation of the ETU and RAS as a centralised enforcement service will also act as a catalyst for improved monitoring and reporting, which will not only help inform investigations but also improve safety by enabling timely identification, analysis, and response to risks, helping to prevent future incidents.

Consumer Safety and Protection

As recently published by Ofgem, Energy Theft leads to a fatality every ten days in the UK[15]. We believe the Energy Theft Enforcement service will provide a strong and robust deterrent for the previously mentioned Organised Criminal groups, targeting the socially and financially vulnerable Consumers. Successful prosecutions will also provide continued deterrent to the Consumers who carry out DIY meter tampering or pay for the services of a professional enabler. These factors alone, should drive down the volume of Energy Theft, reducing the number of serious injuries and fatalities as a result.

The Theft Reduction Strategy prioritises reducing the health and safety risks from illegal meter tampering, supported by the Stay Energy Safe campaign. Although official injury statistics are lacking, regular media reports of electrocutions, fires and explosions highlight the dangers, including serious incidents involving fatalities. A dedicated police partnership could help improve the accurate reporting of incidents.

While Energy Theft has some similarities to theft from physical retailers such as supermarkets, there are some differences which may reduce incentives to tackle it. Firstly, it is largely hidden

[14] RECCo - FOI Request - Metropolitan Police

[15] Meter tampering causes one death every 10 days in the UK.", **Ofgem, 24 April 2025.**

from view, with a perceived lower risk of being caught and little or no opportunity for intervention. Secondly, physical retailers may have to absorb losses from stolen goods, while the cost of Energy Theft is spread across bill-paying Consumers.

In electricity, stolen Energy contributes to the Group Correction Factor[16], which adjusts metered volumes of electricity to match the volume entering the distribution network. The volume of undetected theft is therefore distributed across all Meter Points, with its cost allocated to Electricity Suppliers and passed through to Consumers. The gas industry similarly distributes the cost of stolen Energy through the allocation of Unidentified Gas (UIG[17]) within the Settlement process.

In contrast to the shared cost approach to stolen Energy, suppliers individually bear the expense of investigating theft cases. This creates a disincentive to pursue investigations which we aim to mitigate through TDIS.

Initiatives which reduce the cost and/or improve the efficacy of investigations can be expected to increase industry effort to mitigate theft. Reducing the volume of Energy Theft would directly lower Consumer bills.

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[18]	Positive	The Code Manager considers that this Change Proposal better facilitates REC Objective (a) by directly supporting the achievement of the REC mission statement: to promote positive Consumer outcomes, ensure market efficiency, and foster innovation. By creating a centralised, expert-led theft enforcement function, R0233 strengthens the industry's ability to detect, investigate, and prosecute Energy Theft effectively. This innovation addresses a key systemic weakness, ensuring that the REC evolves to meet Consumer protection needs in a fair, consistent, and efficient manner. The ETU will reduce the socialised cost of theft on honest Consumers, enhance public safety by addressing unsafe tampering, and help restore confidence in the Energy market.
To ensure customers interests and data is	Positive	The Code Manager considers that this Change Proposal ensures Consumer interests are protected as the cost of

[16] Group Correction Factors (GCFs)

[17] Unidentified Gas (UIG)

18 REC Mission Statement

protected in the operation of the REC		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 REC Objective (c) by introducing structured, scalable mechanisms to improve the detection, investigation, and prevention of Energy Theft across the market. The establishment of a centralised ETU, (supported by the RAS), creates a clear, consistent, and high-quality process for assessing and managing theft referrals. This centralisation replaces fragmented supplier-led approaches with a coordinated system that can adapt and improve over time, ensuring that lessons from investigation.

15 SUMMARY OF CONSULTATION RESPONSES

A consultation was circulated on 19 March 2025 to obtain views on the proposed solution of R0233. In total 7 responses were received from 5 Energy Suppliers and 2 Distribution Network Operators. The key themes from these responses have been summarised and set out below.

15.1 COMMENTS ON THE SOLUTION AND PROPOSED LEGAL TEXT

The majority respondents agreed with the proposed solution, with additional points and clarifications being raised.

One respondent observed that in their experience, Energy Theft cases are more prevalent within Domestic Premises than in non-Domestic settings. However, as outlined in the solution section above, this perception is not supported by the available data from the operation of the TDIS. In practice, confirmed theft reports from non-Domestic Premises occur at a rate disproportionately higher than would be expected based on their overall share of the market, indicating that non-Domestic theft is a significant and material component of the overall theft landscape.

The risks around staffing and resourcing of ETU reported in this report have also been noted by the respondents with requests for further clarity of this. This is an operational detail that will be confirmed in discussions with the CoLP, the progression of which is itself dependent upon timely progression and acceptance of this Change Proposal. RECCo will therefore update stakeholders at an appropriate point, but these operation details do not form part of this proposal.

One respondent agreed with the need for a stronger working relationship between the police and the Energy industry. However, it was requested that a more precise cost figure to Energy Suppliers and networks is provided. The detail cost breakdown for mobilisation period and initial

three-year operational commitment for the service was detailed in the OBC and in the RECCo budget.

Similarly, another respondent welcomed new effective measures to prevent and reduce Energy Theft and the principle of this proposal. It was also noted that the respondent wanted to see a more detailed cost-benefit analysis.

It was also raised that there is concern around the rapid progression of this proposal, noting the lack of a Party impact assessment and the shortened consultation period from 15 Working Days to 10 Working Days. As noted earlier in this report (section 6 and 11.2) there was Industry engagement prior to and throughout the development of both the strategic and outline business cases. Therefore, it was deemed appropriate that the Party impact assessment and consultations periods be reduced.

A suggestion was raised that the current trial period of 3 years should be reduced to an initial term of 12 months. The initial three-year commitment was determined through preliminary discussion with the CoLP and takes into account the need to provide sufficient security to recruit members of the proposed team, and a reasonable period of time to pursue investigations and where appropriate cases through to prosecution. Also taking into account the required notice period of 12 months if the service were to cease, any period of less than 3 years would not be operationally practicable.

One respondent noted that both R0233 and R0234 proposals are in need for further amendments to the overall processes to ensure it is beneficial to the entire industry. While we would welcome further input into the development of working practices expected to be adopted by the ETU (and the RAS) we do not agree that the current scope of the proposal would not benefit the entire industry. As noted above, the cost of Energy Theft is currently socialised across Consumers, and therefore all Consumers benefit from each case of theft that is disrupted, irrespective of who the registered Energy Supplier is, or in which sector. We also consider that the whole industry would benefit from mitigating the current levels of risk to health and safety arising from meter tampers and other forms of Energy Theft

One respondent enquired about the definition of 'Energy Theft' as only being theft from suppliers noting the definition from the Standard Condition 49 of the Distribution Licence. We do not consider that the current REC definition of Energy Theft, which refers back to primary legislation but is not exhaustive, in any way prohibits this service from being utilised by Gas Ttransporters (GT) or DNOs in addition to Energy Suppliers. Although the primary obligations for detecting, investigating, and preventing Energy Theft are placed on Energy Suppliers (through their licence obligations and the TDIS), GTs and DNOs also have specific obligations relating to the theft of gas or electricity from their networks. This is reinforced in both their licence conditions and the Theft Reduction Strategy obligations under the REC.

The Code Manager provided comments to all the above points in the R0233 Consolidated Consultation Responses NON-CONFIDENTIAL document.

15.2 BENEFITS RELATIVE TO IMPLEMENTATION AND OPERATIONAL COSTS

Implementation

The majority of respondents agreed with the proposed implementation technique, with additional comments received.

One respondent noted that a clearer definition of roles and responsibilities of the ETU including an explanation of interaction between the ETU and Energy Suppliers should be considered as part of this proposal. Another respondent suggested that it should be considered whether creating the RAS is necessary, or if it is adding unnecessary levels of governance and cost to the process. This should be consulted on with industry with clarity on how the objective quantifiable acceptance criteria will work in practice.

Costs

There has been a mixture of responses received regarding the cost and the cost-benefit analysis done. 3 respondents agreed with the analysis provided in the Change Report. One respondent noted that that over time, the cost-benefit ratio increases as the costs of implementing and maintaining the RAS and the ETU begin to lower the costs associated with Energy Theft and the overall cost to the industry, by providing a visible and dedicated response to Energy Theft aimed at discouraging offenders.

Other respondents raised additional clarifications around the forecasted costs and the cost-benefit analysis.

One respondent noted that they believed the proposed £1.6 million annual cost for resourcing and setting up the ETU is an underestimation. One respondent would welcome seeing a further detailed breakdown of how the allocated funds will be utilised. For REC Parties to bear these costs, there must be transparency, a clear understanding of where the funds will be directed, and additional clarity around potential increase of the annual cost.

One respondent noted their organisation may not utilise the ETU due to being a non-Domestic Supplier, therefore they do not see a direct benefit from this service.

Some respondents welcomed a more detailed cost-benefit analysis.

The Code Manager provided comments and explanations to all the above points in the R0233 Consolidated Consultation Responses NON-CONFIDENTIAL document.

15.3 IMPLEMENTATION DATE AND APPROACH

The majority of respondents agreed with the proposed implementation of 27 June 2025. One respondent noted they have no view on the proposed implementation date. One respondent noted they are not supporting the proposed solution therefore they do not support the implementation date. Another respondent does not agree with the progression of the proposal without further development; therefore, they would not support the proposed implementation date.

16 APPENDIX

CHANGE PROPOSAL	Link
LEGAL DRAFTING	Link
CONSOLIDATED CONSULTATION COMMENTS AND CODE MANAGER'S RESPONSES	Link
RELATED CHANGE: R0234	Link
ENERGY THEFT UNIT: BUSINESS CASE NOVEMBER 2024	Link

17 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.