RETAIL ENERGY CODE

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

# CHANGE REPORT

## R0234 – INTRODUCTION OF AN ENERGY THEFT REFERRAL ASSESSMENT SERVICE UNDER THE REC

| | |
|---|---|
| **DOCUMENT VERSION** | 1.0 |
| **PROPOSED IMPLEMENTATION DATE** | 27 JUNE 2025[1] |
| **IMPLEMENTATION APPROACH** | BIG BANG |

| | | | |
|---|---|---|---|
| **RESPONSIBLE COMMITTEE** | CHANGE PANEL | **CHANGE PATH** | AUTHORITY DETERMINED |
| **PRIORITY STATUS** | MEDIUM | **URGENCY** | STANDARD |
| **IMPACTED STAKEHOLDERS** | ENERGY SUPPLIERS, DISTRIBUTION NETOWRK OPERATORS, GAS TRANSPORTERS | | |

| LEAD ANALYST (SOLUTION LEAD) | TECHNICAL LEAD | ASSURANCE LEAD | SUBJECT MATTER EXPERT |
|---|---|---|---|
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### OVERVIEW

This Change Proposal seeks to establish a Referral Assessment Service (RAS) as a new REC service embedding it within REC governance. The RAS will assess, triage and co-ordinate all Energy Theft case referrals received from Industry Parties. This Change Proposal does not alter or change Party obligations in relation to the Theft Detection Incentive Scheme (TDIS) in any way.

### CODE MANAGER RECOMMENDATION

On 20 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

[1] Providing a decision from the Authority is received in time. If not, the Code Manager proposes for R0234 to be included in the next appropriate release.

- **APPROVE** the proposed implementation date of 27 June 2025.

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RETAIL ENERGY CODE

# BACKGROUND

## 1 SUMMARY

Energy Theft remains a significant challenge for the Energy market, imposing both financial and safety risks. Analysis[2] 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[3]) 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[4], 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 Parties 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[5], 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.

Implementation and progression of this proposal is conditional of a positive Authority Decision on proposal R0233 – Introduction of an Energy Theft Unit under the REC.

## 2 PROBLEM STATEMENT

The introduction of the Energy Theft Unit (ETU) provides the mechanism to directly investigate and seek to prosecute particular offenders, introducing a significant deterrent previously missing from the Energy Theft landscape. To ensure the effective operation of this unit, Energy Theft referrals will include data and information of an expected standard, suitable for police investigation. The introduction of the Referral Assessment Service (RAS) will allow staff to

2 RECCo - Theft Estimation Methodology Report v2.0
3 RECCo Outline Business Case - Partnering with City of London Police: Our Proposal for a Dedicated Energy Theft Unit - Retail Energy Code Company
4 Meter tampering causes one death every 10 days in the UK.", Ofgem, 24 April 2025
5 Fake workmen who dug up roads to power cannabis farms jailed - BBC News

assess, triage and co-ordinate quality assessed Energy Theft referrals for forward transfer to the ETU.

Without the RAS, police staff within the ETU would be required to carry out these tasks, with all associated administrative burden, removing resource and time from investigative activities.

The Energy Theft Tip-Off Service (ETTOS) service, operated by Crimestoppers, 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 is 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. One can be reasonably certain a proportion of this is due to 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 | 15,332 | 11,552 |
| 2024 | 16,690 | 12,653 |
| 2025 YTD (Jan-Mar) | 5459 | 3900 |

| Stay Energy Safe Website Visits | 2023 | 2024 | 2025 |
|---|---|---|---|
| Jan | | 9235 | 10634 |
| Feb | | 7888 | 10212 |
| Mar | | 7194 | 11040 |
| Apr | 7190 | 5940 | |
| May | 6539 | 6155 | |
| Jun | 6109 | 5689 | |
| Jul | 6140 | 6476 | |
| Aug | 6524 | 7973 | |
| Sep | 6668 | 7200 | |
| Oct | 8161 | 9793 | |
| Nov | 9408 | 8923 | |
| Dec | 7429 | 9022 | |
| **Total** | **64,168** | **91,973** | **31,886** |

## 3 IMPACTS

| CONSUMERS |
|---|
| All Consumers |

| REC SERVICE PROVIDERS |
|---|
| REC Performance Assurance (RPA) |

| 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** | **1-Mar-25** |
| | Solution Development | **Completed** | **Completed** |
| | Business Case Assessment | **Completed** | **Completed** |
| | Party Impact Assessment | **Completed** | **Completed** |
| **Change Proposal** | | **01-Mar-25** | **20-May-25** |
| | Business Case Assessment | **Completed** | **Completed** |
| | Consultation | **Completed** | **Completed** |
| | Solution Refinement | **Completed** | **Completed** |
| | Final Determination | May | May |
| **Voting** | | **20-May-25** | **20-May-25** |
| | Issued for Authority Determination | **21-May-25** | **21-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]. Discussions on a RAS implementation were aligned with the implementation of R0233 – Introduction of an Energy Theft Unit under the REC.

## 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 | | 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 | | 2 | | 17 |
| Urgency *(The need to progress a change to meet a targeted date)* | | Other Planned Activity | 2 | 10 | 20 |
| | | | | Overall Priority Score (rounded) | 157 |

| | |
|---|---|
| Priority Status | HIGH |
| Change Proposal Type | STANDARD |

The priority status for this Change Proposal is high based on a weighted prioritisation score of 157 and has been assessed as a Standard Change.

# 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.

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

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

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 Energy 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. TheTEM 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
- 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. 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.

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'[10]).

The City of London Police are the National Lead Force for Fraud. As a comparative model for the RAS – the National Fraud Intelligence Bureau (NFIB) receive allegations of fraud and cybercrime via the Action Fraud system[11]. These allegations are then assessed utilising numerous search criteria to identify cases where the victim is identified as being vulnerable. These allegations are then prioritised for further police investigation to the City of London's Insurance Fraud Enforcement Department (IFED), which is funded by the insurance industry. We believe the RAS serves a similar purpose to the NFIB, which is an excellent example of an operationally successful model.

[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] RECCo Strategic Outline Business Case
[11] Action Fraud National Lead Force | City of London Police

## 9 PROPOSED SOLUTION

This Change Proposal seeks to establish a Referral Assessment Service (RAS) as a new REC service and embedding it within REC governance. The RAS would:

- Provide quality assurance for Energy Theft referrals by ensuring consistency, accuracy, and evidentiary completeness.
- Consolidate and analyse data to strengthen the quality of evidence for enforcement actions.
- Standardise and streamline the referral process, ensuring efficient and effective engagement with the ETU.

By fulfilling these roles, the RAS would maximise the operational value of the ETU, enhancing the efficiency, consistency, and success of Energy Theft-related enforcement actions.

Additionally, the RAS would play a critical role in mitigating risks to Consumers by addressing safety hazards and financial burdens caused by Energy Theft, thereby strengthening trust and confidence in the Energy market.

Without the RAS, police staff within the ETU would be required to carry out these tasks, with all associated administrative burden, removing resource and time from investigative activities.

The RAS would also provide transparency of the overall Energy Theft Enforcement Service; publishing reports and key metrics to evidence the success or indeed the improvements required of the service as it develops during the first 2 years of the sponsored agreement.

Key roles of the RAS would include:

- **Case Screening and Prioritisation**: The RAS would review incoming reports of suspected Energy Theft, assessing each case based on factors like severity, risk, and potential impact. This ensures the police unit's resources are focused on the most significant and high-priority cases.
- **Data Collection and Verification**: The team would work with front-line agents, Energy Suppliers, and Network Operators to collect, verify, and consolidate evidence and information for each case. This includes confirming that essential details, such as evidence of tampering, estimated value of stolen Energy, and suspected criminal networks, are properly documented.
- **Standardising Referrals:** By standardising the data and evidence requirements, the RAS would improve the consistency and quality of case referrals, making it easier for the police team to quickly understand and to act on cases. This also ensures that all referrals meet the threshold needed for potential prosecution.
- **Coordination with REC Parties:** The RAS would liaise with Energy Suppliers, Network Operators, and other REC Parties to gather additional insights, obtain permissions, and ensure alignment on cases. This coordinated approach strengthens the case and demonstrates industry-wide support for enforcement actions.
- **Initial Investigation Support:** The RAS may conduct preliminary investigations, gathering supporting data, and creating profiles on repeat offenders or organised networks, saving the police team time in the early stages of case development.

- **Risk Assessment and Deterrence Planning:** The RAS can evaluate potential risks associated with each case, including the likelihood of organised crime involvement, and advise on public communication or deterrent strategies to maximise the impact of enforcement actions.
- **Case Handover to ETU:** Once a case is fully assessed and ready for police intervention, the RAS ensures a seamless handover by providing a comprehensive case file, complete with evidence, risk assessments, and suggested lines of inquiry. This allows the police team to initiate action more efficiently.
- **Feedback loop and continuous improvement:** The RAS would analyse outcomes from the ETU and possibly other police interventions, gathering feedback from the police team(s) to refine and improve referral standards, evidence requirements, and risk assessments over time.

A high-level target operating model for the referral process under RAS can be found in Appendix 1 of this document.

Referrals to the ETU would first go through the RAS, a dedicated team responsible for reviewing and filtering cases from Energy industry stakeholders. All referrals will need to include sufficient information, as per 'Referral information and evidentiary requirements'. Referrals will then be scored based on objective criteria, developed by RECCo with stakeholder input, from Theft Issues Group members and the City of London Police, known as the "Energy Theft Strategic Threat Assessment & RAS and ETU Case Acceptance Criteria." The ETU will guide the RAS to ensure evidence meets standards for prosecution by the Crown Prosecution Service or Procurator Fiscal Service. As a start-up function, the RAS will initially support ETU mobilisation and adapt to its evolving needs.

Implementation and progression of this proposal is conditional of a positive Authority Decision on proposal R0233 – Introduction of an Energy Theft Unit under the REC.

The proposed implementation date for this change is 27th June 2025, this would not be the point at which RAS activities would commence, but the point at which the RAS contract could be formally agreed. Following this, the next phase will involve detailed planning and stakeholder engagement on the operational processes required.

## 10 DRAFT LEGAL TEXT

The legal text changes to deliver the proposed solution to R0234 can be found here.

# PRELIMINARY ASSESSMENT

## 11 SUMMARY OF IMPACT ASSESSMENT ACTIVITY

### 11.1 SERVICE PROVIDER IMPACT ASSESSMENTS

| | |
|---|---|
| **REC PERFORMANCE ASSURANCE (RPA)** | • It was noted within the legal drafting that '*The operation of the RAS shall be subject to the Performance Assurance Framework (PAF) and overseen by the REC PAB.*'. It is envisaged that this would involve the definition of service levels that cover the expected levels of performance. These should be defined by the service leads as part of the release process and be integrated into the standard Service Provider reporting processes.<br>• On the assumption it is not an RPA role to define these metrics there is no incremental cost, but it would need to be reassessed if any changes to understand the expectation are being made.<br>• Being a unique enforcement service will only provide stronger deterrent and police prosecution benefits to industry, with no impact on essential services.<br>• The introduction of this service by no means prevents Parties in contacting their local police area as and when required to assist 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. |

### 11.2 REC PARTY IMPACT ASSESSMENTS

Following publication of RECCo's Outline Business Case (OBC) in November 2024, consultation responses were recorded from 13 Parties. It was noted that there was broad support and understanding as to the necessity of an Energy Theft Enforcement Service. Further clarity and response to Party queries on the OBC were published to the RECCo website in January 2025.

Of the responding Parties, nine agreed that the need for a Referral Assessment Service alongside the Energy Theft Unit was clearly explained and justified. These Parties also agreed with the establishment of a Referral Assessment Service.

On 7 March 2025, the REC Code Manager issue a REC Party Impact Assessment for R0234. During this time, six REC Parties provided their responses:

- Four Energy Suppliers (one confidential)
- Two Distribution Network Operators (DNOs).

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| **ENERGY SUPPLIERS** | • Four Energy Suppliers provided responses to the Party Impact Assessment for R0234. One of these respondents requested their response is treated anonymously.<br>• Two of the Energy Suppliers that responded are in support of the proposed solution. It was noted that a closer working |

relationship between the police and the Energy industry within the Energy Theft space is an important and beneficial step forward.

- Two Energy Supplier respondents stated they are not in support of the proposed solution under R0234. One respondent noted that as a non-Domestic only Energy Supplier, they have not come across any Energy Theft cases that would warrant forwarding to the RAS and ETU.
  *However, 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.*
- To achieve value for money and act as a deterrent to the type of thefts being investigated, the respondents would like to see the type of cases referred to the RAS expanded beyond the more serious cases outlined in the proposals. If this was to happen, they would also require the case assessment to be changed so that all participants had cases that were investigated by the ETU.
- The other respondent noted that the introduction of RAS and ETU would be beneficial, however this should not be done in their current form at this time. A request for industry workshops was raised.

*It is expected that there will be workshops with Industry once the Police resource is secured.*

- Queries about a more detailed view of the costs involved in the introduction of RAS and ETU were raised.

*The detailed cost breakdown for mobilisation period and initial three-year operational commitment for the service was detailed in the OBC and in the RECCo budget.*

- One respondent queried the need for RAS to review every case ahead of ETU. If the case acceptance criteria are clear, defined and simple to follow then there should be no doubt from Energy Suppliers/Networks as to whether their case is eligible or not. REC should consider whether creating the RAS is necessary, or if it is adding unnecessary levels of governance and cost to the process.
- A consideration which is still missing, according to one respondent, is the public perception of Energy Suppliers/Networks and how this could play into Parties' decisions on whether to report these cases or not. Even if this service is available, some Parties may be unwilling to report due

| | |
|---|---|
| | to the concerns of public backlash if they seek prosecution for customers.<br>• One respondent raised the need for an 'opt-out' option from the scheme at yearly intervals if it was not providing value for money.<br>• One respondent stated that the implementation date should be postponed to February 2026 to give the REC team time to complete all the work that is required to take this forward (points raised above). *Any delay to the Implementation date has not only financial impacts upon Consumers, but it puts further lives at risk.*<br>• Different views on cost have been provided by the respondents. Some respondents noted no additional / minimal cost required to implement this change. One respondent noted the cost on their organisation would be more than £100,000 (including the industry cost) *No evidence of this has been provided so this figure is yet to be verified. Costs are self-managed in line with Supplier appetite to engage with the service.* |
| **DISTRIBUTION NETWORK OPERATORS** | • Both respondents noted they are in support of a service which provides an opportunity to pass on information that would lead to a reduction in theft and potential prosecutions, which would ultimately act as a deterrent.<br>• One respondent stated that a reduction in Energy Theft would provide further confidence in safety levels for any visiting engineers/field teams and improved Consumer confidence in the industry overall. Improving safety measures is entirely aligned with the aims of the ETES.<br>• One respondent requested additional details around how the submission of referrals would operate. This would allow a detailed response on the lead time required.<br>*For familiarity, the REC Portal will be the initial referral platform to the RAS. The referral form is as the "Referral Information and Evidentiary Requirements" Excel form available for review and download on the REC Portal Change page[12]. Details of the information to provide are highlighted within this form. The form consists of specific tabs for Energy Suppliers, Networks, as well as a "Disruption Information" tab to capture other related information relevant to illegal Energy Theft activities.*<br>• Both respondents stated the cost incurred due to this proposal would be minimal. Costs would be made up mainly in relation to the implementation of a new process to cover this change, the internal communication, and staff training that would support this. |

[12] Energy Theft Strategic Threat Assessment & RAS and ETU Case Acceptance Criteria

| | |
|---|---|
| | • Both respondents stated they are committed to supporting any efforts made towards attempting to mitigate financial and/or safety related challenges for the Energy Industry.<br>• One respondent enquired about the timeframe required by RAS to provide the referrals to ETU as well as about any required regular training for RAS to ensure an efficient operation of the service. Working procedures and timelines will be firmed up in conjunction with CoLP once a positive decision from Ofgem has been confirmed. |

## 12 RISKS, ISSUES, ASSUMPTIONS AND DEPENDENCIES

| NO. | RISK | DESCRIPTION | MITIGATION |
|---|---|---|---|
| 1 | **Lack of Consistency** | Ensuring a nationally consistent, robust, and proportionate police and prosecutorial response is essential for combating Energy Theft uniformly across different Energy Suppliers and Network Parties. Inconsistencies in enforcement practices could undermine the effectiveness of the service | Consistency will be driven by the Referral Information and Evidentiary Requirements form. This will allow concise referral information for the RAS to assess risk based on obvious or potential safety issues that require to be prioritised for onward referral to the police. We are aware of the inconsistent enforcement practices across Great Britain. A dedicated police unit can record best practice as it evolves and matures, driving consistency across police forces in Great Britain. With the City of London Police as the Energy Theft national lead, we can expect an investigative standard to be recorded and recognised by others. |
| 2 | **Insufficient Deterrent Effect** | While increased theft detection and prosecutions are expected to act as a visible deterrent, the effectiveness of this deterrence relies on effective communication and publicising of the enforcement service. If the messaging fails to convey the severity of consequences for Energy Theft, potential offenders | Insufficient police response and priority with regard to Energy Theft has been discussed by industry for several years. There has been no sufficient deterrent to prevent the illegal activities. The creation of a dedicated police unit is the first step to providing a visible and authoritative deterrent. We can |

| | | | |
|---|---|---|---|
| | | may not perceive it as a significant risk, leading to continued illicit activities. | expect sufficient interest on the launch of the service. Communications promoting and highlighting the service will be tailored to show the immediate priorities of combating organised criminality that preys on the vulnerable. As the service matures, and prosecutions are secured, we should be confident that publicising these outcomes will provide worthy deterrent in due course and with an ongoing effect. |
| 3 | **Volume of Quality Referrals** | The enforcement service will rely on thorough information capture that meets evidential standards. Inadequate frontline investigation practices or insufficient evidence may result in fewer or lower-quality referrals, reducing the chances of successful prosecutions and deterrence. | Consistency will be driven by the Referral Information and Evidentiary Requirements form. This will allow concise referral information for the RAS to assess risk based on obvious or potential safety issues that require to be prioritised for onward referral to the police. Continuous improvement on the information required within a referral to ensure the best possibility of immediate and efficient police investigation, will be discussed with stakeholders and the City of London Police. |
| 4 | **Public Perception** | Public perception will play a crucial role in shaping the effectiveness and acceptance of the enforcement service. If seen as solely driven by Revenue Protection or unfairly targeting Vulnerable Consumers, it risks media and public backlash. Managing this requires clear communication to ensure transparency and public alignment. | We can expect sufficient interest on the launch of the service. Communications promoting and highlighting the service will be tailored to show the immediate priorities of combating organised criminality that prey on the vulnerable. As the service matures, and prosecutions are secured, we should be confident that publicising these outcomes will provide evidence and reassurance that the service is not revenue driven nor targeting Vulnerable Consumers. |

| | | | |
|---|---|---|---|
| 5 | **Limited Jurisdiction** | The ability of the enforcement service to investigate cases nationally across multiple Energy Suppliers and Network Parties is critical for tackling organised criminal activity effectively. However, jurisdictional complexities and legal limitations may hinder the service's reach, potentially allowing Energy Theft operations to evade scrutiny and prosecution. | We have assurance that the City of London Police will provide a service across all of Great Britain, collaborating with local police force areas when required to secure arrest and detention of offenders. |

### 12.1 ASSUMPTIONS AND DEPENDENCIES

| NO. | DEPENDENCY | NOTES | STATUS |
|---|---|---|---|
| 1 | Approval of R0233 - Introduction of an Energy Theft Unit (ETU) under the REC | 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

The estimated cost of the RAS would be up to £320k per year, made up largely of staffing costs. It would be expected that RAS would initially be staffed by contractors on a minimum viable basis. This will then be scaled up as and when a more accurate picture of the volume of referrals is being made and the extent of work required on each, before being handed on to the ETU as appropriate. While it cannot be reasonably predicted at this time what impact the police partnership will have, reducing existing levels of 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; the Cost benefit analysis is detailed further in Section 11.3 of this Change Report and within the OBC[13].

| Costs in 2024 prices £m | 25/26 | 26/27 | 27/28 | 28/29 |
|---|---|---|---|---|
| ETU 3 yr commitment | 0.80 | 1.60 | 1.60 | 0.80 |
| RAS Team | 0.16 | 0.32 | 0.32 | 0.16 |

[13] Energy-theft-Unit-Business-Case-November-24.pdf

| | | | | |
|---|---|---|---|---|
| RAS Case Mgt System (One Off IT Opex) | 0.05 | 0.00 | 0.00 | 0.00 |
| RAS (System training / Annual Support) | 0.02 | 0.02 | 0.02 | 0.02 |
| RECCo Support Team (Mobilisation) | 0.06 | 0.00 | 0.00 | 0.00 |
| Year 2 Review of RAS & ETU VFM | 0.00 | 0.00 | 0.05 | 0.00 |
| Total Cost per Year | 1.09 | 1.94 | 1.99 | 0.98 |
| **Lifetime Cost** | | | | **£6.00** |

## 13.2 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. |

## 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.

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.

Based on the 801,560 estimated number of theft cases in the TEM report and an assumed duration of three years there may be approximately 267,000 new tampers or bypasses attempted each year across Domestic and non-Domestic Premises.

**£609m = £2,281**

**267000**

If each case of Energy Theft is assumed to cost £2,281 per year for the assumed average duration of three years, the breakeven point for the proposed ETU and RAS would be only 292 deterred thefts.

**£2.0m = 292**

**£2,281 x 3**

Rational choice theory suggests that offenders will weigh risk against rewards. The creation and subsequent public awareness of the ETU will increase the perceived risk and should logically reduce rates of offending. To achieve the breakeven point of 292 avoided cases would require a reduction of just 0.109% of the estimated 267,000 new cases per year.

## 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 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.

It is considered 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.

## AUTHORITY DETERMINATION

The Code Manager believes that R0234 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[14] | 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.<br><br>By creating a centralised, expert-led theft enforcement function, R0234 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.<br><br>The combined ETU and RAS service will reduce the socialised cost of Energy 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 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 REC Objective (c) by introducing structured, scalable mechanisms to improve the detection, investigation, and prevention of Energy Theft across the market.<br><br>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 develop over time, ensuring that lessons from investigation are captured to drive market improvements and Consumer safe outcomes |

[14] REC Mission Statement

# 15 SUMMARY OF CONSULTATION RESPONSES

A consultation was circulated on 15 April 2025 to obtain views on the proposed solution. In total seven responses were received from five Energy Suppliers (one response submitted anonymous), one Gas Transporter and one Distribution Network Operator. 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 of responses (five) received are supportive of the proposal to introduce RAS as a new REC Service, alongside queries for additional clarifications. Three Energy Suppliers and the Distribution Network Operator have stated their firm support for the proposed solution, noting the essential role of RAS in ensuring that the ETU is effective when implemented.

It was noted that further details of the proposed solution in the form of workshops are required ahead of the go-live date. RECCo will look to facilitate workshops to ensure Parties' understanding following the approval of R0234. These would include further discussion on the end-to-end service that the RAS will provide, with that further level of confidence and assurance from the Regulator having been achieved. The processes and Category 3 documentation for referral submission will continually be improved as lessons are learned from a 'live' service.

Two respondents stated they are not supportive of the solution proposed under R0234. One respondent noted the proposed solution is developed for Domestic Suppliers and Energy Theft cases carried out in the Domestic arena. Another respondent noted that further development is required around the referral mechanism, process and assessment, the referral management system and the performance management and reporting. Development will need to be on an incremental basis and there will continue to be further industry engagement once the Authority approval for R0233 and R0234 has been confirmed.

A clarification request was received around scope of the process from a Gas Transporter perspective. The new process introduced by this Change Proposal R0234 and R0233 Introduction of an Energy Theft Unit (ETU) under the REC aims to aid REC Parties with those cases of organised crime or specialised tampering services. REC Parties will be able to provide referrals through RAS (who will triage and assess these) which in turn will be sent to ETU for legal investigation and prosecution, where deemed necessary. The data required for a referral to RAS can be found in the 'Referral information and evidentiary requirements' document. This information is required to allow the Police unit (ETU) to conduct a thorough investigation.

## 15.2 BENEFITS RELATIVE TO IMPLEMENTATION AND OPERATIONAL COSTS

When asked on the cost and benefits for this change, the Code Manager received mixed responses. Two respondents noted that the figures used for the cost-benefit analysis are an estimated figure, making it difficult to state clear support for the analysis performed.

Two respondents have stated their firm agreement on the cost-benefit analysis noted in this Change Report, noting that a closer and better-defined working relationship between the

Energy Industry and the police in relation to Energy Theft is important and will drive positive change in this space.

Two respondents disagreed with the assessment performed by the Code Manager. It was noted that all the identified benefits within this Change Report are intangible, causing reason for concern. It was also noted that the cost benefit ratio of this Change Proposal is based on assumptions which are unsubstantiated.

### 15.3 IMPLEMENTATION DATE AND APPROACH

The majority of responses received are in support of the proposed implementation date of 27 June 2025. One respondent noted that there is still a lack of clarity around the concept of this proposal, however they are supporting the principle of introducing a centralised service to help tackle Energy Theft.

Three respondents noted they are not in support of implementing this Change Proposal, therefore are not in support of the proposed implementation date. Two respondents suggested further engagement between the Code Manager and industry on how the RAS will perform its roles particularly on data collection, verification of cases and performance management / reporting to understand the effectiveness of the ETU and RAS is still required. One respondent noted that a minimum 6-month implementation lead time should be allowed for REC Parties to perform sufficient regulatory scrutiny and operational readiness.

## 16 APPENDIX

| | |
|---|---|
| **CHANGE PROPOSAL** | Link |
| **LEGAL DRAFTING** | Link |
| **CONSOLIDATED IMPACT ASSESSMENT RESPONSES** | Link |
| **CONSOLIDATED CONSULTATION COMMENTS AND CODE MANAGER'S RESPONSES** | Link |
| **REFERRAL INFORMATION AND EVIDENTIARY REQUIREMENTS** | Link |
| **ENERGY THEFT STRATEGIC THREAT ASSESSMENT & RAS AND ETU CASE ACCEPTANCE CRITERIA** | Link |
| **ENERGY THEFT UNIT: BUSINESS CASE NOVEMBER 2024** | Link |
| **PARTNERING WITH CITY OF LONDON POLICE TO CREATE A DEDICATED ENERGY THEFT UNIT: NEXT STEPS - RETAIL ENERGY CODE COMPANY** | 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:<br>(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;<br>(b) circumstances described in Paragraph 6(1)(b) (Damage to electrical plant etc) of schedule 6 to the Electricity Act;<br>(c) circumstances described in Paragraph 11(1) (Interference with meters) of schedule 7 to the Electricity Act;<br>(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. |
| 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. |
| Theft Estimation Methodology | Is a methodology for determining a robust estimate of the aggregate amount of Energy Theft taking place in Great Britain, established and maintained by the REC Board under Paragraph 6 of the Energy Theft Reduction Schedule. |

RETAIL ENERGY CODE

## 18 APPENDICES

### APPENDIX 1 – REFFERAL ASSESSMENT SERVICE OPERATING MODEL

| Referral Mechanism | |
|---|---|
| Accept Energy Theft Referrals via a form/file | Cases that meet the stated criteria can be referred by REC Parties and potentially third parties via a defined form or file sent via a SFTP or dedicated secure messaging facility. |
| Accept Energy Theft referrals via a new Energy Theft Portal | A multipurpose Energy Theft Portal may be a viable mechanism to transfer referral information. |
| RAS able to access Energy Theft data portal and the Electricity and Gas Enquiry Services (ESS and GES) | If the RAS is granted access to relevant EES and GES data, as well as any future multipurpose Energy Theft data portal, it may provide insights into whether the referred case is part of a pattern rather than being an isolated incident |
| Accept referrals to disrupt Energy Theft | A separate streamlined process and form/file to refer online threats such as social media post/groups and websites spreading information on how to commit Energy Theft and advertising of services that are devised to facilitate Energy Theft. |
| Urgent referral process | There will be a process that enables cases that are urgent to be discussed and initially referred over the telephone, this may include where evidence is likely to be lost without immediate police action or imminent risk to public safety. |
| TDIS submissions | All Energy Theft investigations and outcomes should continue to be submitted to REC by the Energy Supplier as per Schedule 7 independently of any referral made to the RAS. |

| Referral Information and Evidentiary Requirements | |
|---|---|
| The information required for the referral is defined. | The format of the referral form/file is designed to enable effective capturing of the required information and highlight gaps where additional information may need further clarification as part of any future investigation or as part of data clarification by the RAS. |
| The evidence required to be held by the referring party is defined. | The referral should include details on what evidence is available, and the RAS will determine if there is sufficient evidence to proceed or provide feedback on what additional information / evidence may be required. |

| Referral Processing and Assessment | |
|---|---|
| Referrals reviewed and assessed | Referrals assessed against a scoring matrix to be developed based on the information and evidence stated in the referral and key acceptance criteria. |
| Unable to determine if referral meets requirements or information missing | The case assessor may contact the referring party and clarify information or request additional information if available or establish if critical information is unavailable. |
| Referral meets requirements and is accepted | The case will be referred onto the ETU who may accept the case or following their review and assessment reject the case and send back to the RAS with reason for rejection and any relevant feedback. |
| Referral does not meet requirements and rejected | The referral may be rejected by the RAS at this stage or have been referred to the ETU and then rejected. It will be referred back to the reporting party with a reason for rejection and relevant feedback. |
| Referral appeal process | If a referring party believe that the rejection is incorrect there will be an appeal process to escalate and reassess the referral. |

| Organisational Structure | |
|---|---|
| Case Assessors | We anticipate that the initial RAS set-up will be undertaken by existing RECCo staff supported by Theft SMEs, legal and technical advisors. Staff or contractors will be recruited into the RAS, commensurate with the volume of referrals, scaling up to a team of around 3 – 5 FTE as the service matures. These roles will be responsible for reviewing and assessing referred cases, liaising with the referring party and the ETU to ensure complete and accurate information and provide feedback when required. They will also record each referral and outcome on a dedicated database or referral management system. They will also facilitate process development and improvement. |

| Technology and Systems | |
|---|---|
| Referral Management System | A robust, secure and compliant Referral Management System (RMS) will be required to track and manage referrals from intake to acceptance/rejection and the outcome of any further investigation by the ETU. Subject to the level of security required, this could be based around an off-the-shelf workflow management system. It should also be able to manage legal documentation and compliance checks and safety risk information. This may be a standalone system or be part of a wider Energy Theft data portal. |

| | |
|---|---|
| Compatibility and integration capabilities | The RMS should be suitable for integration either from the outset or as the service develops into other systems and platforms such as any future Energy Theft Data Portal. |
| Data Analytics | Data and analytical techniques should be utilised to monitor performance, identify trends and support decision making with data driven insights. |

| Performance Management and Reporting | |
|---|---|
| Identify Key Performance Indicators (KPIs) | KPIs should be identified to track metrics such as:<br>• Number of referrals received.<br>• Number of referrals accepted by RAS.<br>• Number of referrals rejected by RAS.<br>• Number of referrals accepted by RAS but rejected by the ETU.<br>• Number of successful/unsuccessful appeals<br>• Average referral processing time<br>• Longest referral processing time<br>• REC Parties satisfaction score in annual survey |
| Reporting | Development of regular reporting mechanisms to track performance against KPIs to inform management and stakeholders. |
| Performance Improvement Plan | Where KPIs are not being met a Performance Improvement Plan should be established and implemented. |

| Stakeholder Engagement | |
|---|---|
| Stakeholder Identification | Identify key stakeholders for the RAS, including referral sources, REC Parties, Police, regulatory bodies as well as points of contact for queries on cases referred. |
| Communication Plan | Develop a communication plan to keep stakeholders informed and engaged in the service as well as keeping referring parties informed and engaged throughout the referral process. |
| Regular Meetings | Hold regular meetings with REC Parties, Service providers and stakeholder organisations to provide updates on the service and to discuss any concerns. |
| **Continuous Improvement** | |
| Training & Development | Initial and ongoing comprehensive training programs for staff to ensure they are equipped with the necessary skills and knowledge, this includes RAS, RECCo and REC Parties. |

| | |
|---|---|
| Continuous Learning | There should be a culture of continuous learning, encouraging staff to stay updated on best practices and emerging trends, this may include workshops to facilitate this. |
| Feedback Loops | Establish mechanisms to collect feedback from referring parties, the ETU and Stakeholders to identify areas for improvement. This may include quarterly and annual feedback surveys as well as case reviews. |
| Process Optimisation | Regularly review and optimise referral and assessment processes to enhance efficiency and effectiveness. |

| Compliance & Risk Management | |
|---|---|
| Regulatory Compliance | Ensure the RAS complies with relevant laws and regulations, including data protection and confidentiality requirements. |
| Risk Management | Risk management strategies should be implemented to identify, assess and mitigate potential risks associated with the referral process. |
| REC Parties obligations | REC Parties should continue to attend site to address any safety concerns as per their existing obligations regardless of any referral. |
| Risk Mitigation Workshops | Feed into the development of industry wide safety scoring and reporting linked to Energy Theft cases and premises where staff may be at risk. |