RETAIL ENERGY CODE

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01	Initial Assessment Report
02	Preliminary Change Report
03	Final Change Report

CHANGE REPORT

R0091 – CLARIFICATIONS TO THE THEFT DETECTION INCENTIVE SCHEME

CHANGE REPORT	PRELIMINARY
DOCUMENT VERSION	1.0
ISSUED DATE	17/02/2023
DOCUMENT APPROVAL STATUS	NOT YET APPROVED

RESPONSIBLE COMMITTEE	CHANGE PANEL	CHANGE PATH	SELF GOVERNANCE
PRIORITY STATUS	LOW	URGENCY	STANDARD

DEADLINE FOR ALTERNATIVE CHANGE PROPOSALS	17/02/2023

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CHANGE OVERVIEW

The Energy Theft Detection Incentive Scheme (TDIS) seeks to encourage Suppliers to undertake theft investigations. Following the completion of the first TDIS Reporting Year operated wholly under the REC, there have been several areas of the Code identified where additional clarity would benefit the administration of the TDIS.

	High Impact: None
	Medium Impact: None
	Low Impact: Energy Suppliers, Code Manager, RECCo

CODE MANAGER'S RECOMMENDATION

The Code Manager recommends Change Proposal R0091 is **APPROVED** for implementation on 01 April 2023.

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BACKGROUND

1 BACKGROUND

According to the RECCo Theft Estimation Methodology Report[1], Energy Theft costs the industry £1.4 billion each year and poses a serious risk to life and property. The TDIS encourages Suppliers to undertake theft investigations.

Prior to migration to the REC on 01 April 2021, the gas scheme operated under the Supply Point Administration Agreement (SPAA) and the electricity scheme operated under the Distribution Connection Use of System Agreement (DCUSA). Suppliers and their agents rely on the REC to provide a consistent baseline that accurately reflects the obligations currently in practice under the TDIS. Following the first TDIS Reporting year operated wholly under the REC, inconsistencies were identified (as part of the REC Performance Assurance activity) within the drafting of the REC compared to the processes operated by REC Parties and the Code Manager.

This change seeks to clarify the obligations to ensure the effective administration of the scheme is maintained. Several parts of the Code have been identified as areas for clarification. The proposed changes have undergone an external legal review to validate that these clarify existing processes or obligations and do not introduce new obligations on REC Parties or the Code Manager.

The proposed changes are targeted for implementation on 01 April 2023, to enable these to be in place for the start of the new TDIS Reporting Year.

2 PROBLEM STATEMENT

To enable REC Parties and their agents to successfully meet the obligations of the TDIS, the REC needs to accurately reflect the intention of the requirements and current processes.

3 USER STORIES

REF.	USER STORIES
MARKET PARTICIPANT USER STORIES	
M1	As an Energy Supplier, I need my TDIS obligations to be clear to ensure I can meet the requirements appropriately.
M2	As the Code Manager, I want all Suppliers to be clear on the required Energy Theft reporting so that the scheme can be effectively administered.
M3	As RECCo, I want to ensure that all Suppliers have clear obligations to ensure the effective administration of TDIS to support the Theft Reduction Strategy.

[1] RECCo Theft Estimation Methodology Report

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PROPOSAL

4 SUMMARY OF ANALYSIS UNDERTAKEN

A review was undertaken by RECCo and the Code Manager following the completion of the first TDIS Reporting Year under the REC and several clauses were identified as requiring clarification.

These clauses were highlighted to the external legal adviser to ensure that proposed alterations to the legal text did not introduce additional obligations on Parties. This external legal review was completed on 19 January 2023.

5 PROPOSED SOLUTION

This change seeks to clarify inconsistencies identified within Schedule 1 – Interpretations and Definitions and Schedule 7 – Energy Theft Reduction to ensure the effective administration of the TDIS.

The solution does not introduce new obligations; it clarifies existing obligations, target setting methodologies and reporting requirements as migrated from SPAA and DCUSA.

This change will also introduce two new Category 3 documents (to follow shortly), which will highlight the TDIS reporting submission dates and the Theft Target Methodology used to set annual Theft Targets.

6 DRAFT LEGAL TEXT

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

These legal text changes will:

- Simplify the operation of the scheme to ensure that Suppliers are not assigned inappropriate theft targets;
- Provide a clear and transparent target setting methodology;
- Reinforce the intent of the TDIS to ensure there is no disincentive for Suppliers to investigate theft;
- Ensure that each Supplier uniformly seeks compensation for losses associated with Energy Theft;
- Provide a Code Manager led data sharing route to improve settlement;
- Provide confidence for a Supplier that any investment in investigating, detecting and reporting theft is outweighed by the expected incentives; and
- Ensure the enduring data quality for the continuous development of RECCo's Theft Reduction Strategy.

7 DELIVERY AGAINST CHANGE PROPOSAL PLAN

To date, all activity has been completed within the planned timescales.

The Change Proposal Plan can be found here.

8 KEY RISKS AND ASSUMPTIONS

8.1 RISKS

No.	RISK	NOTES	MITIGATION
R01	There is a risk that there are other omissions or clarifications required which have not been identified by the Code Manager.	The Code Manager does not propose to delay the progression of this Change Proposal if omissions or further clarifications are identified.	If any items are identified during the progression of this change, these will be included as part of a future Change Proposal.
R02	Implementation planned within the appeal window.	This change is targeting implementation on 01 April 2023, in line with the start of the new TDIS Reporting Year. This implementation date is within the appeal window, which closes on 07 April 2023.	Due the simplicity of this change we do not anticipate any appeals being made, however, should a successful appeal be made the changes to the Schedules will be rolled back across EMAR and the REC Portal.

8.2 ASSUMPTIONS

No.	ASSUMPTION	NOTES	HOW/WHEN TO VALIDATE
A01	There is the assumption that the proposed changes will have no impact on REC Party obligations.	Whilst it is important to implement this Change Proposal in line with the next TDIS Reporting Year, the Code Manager will validate that there will be no impact on REC Parties.	This will be validated during consultation.

9 PROPOSED IMPLEMENTATION DATE AND APPROACH

PROPOSED IMPLEMENTATION DATE	01/04/2023

PROPOSED IMPLEMENTATION APPROACH	BIG BANG

The proposed implementation will be “Big Bang” on 01 April 2023 in line with the 2023/24 TDIS Reporting Year.

10 BUSINESS CASE ASSESSMENT

There are no additional costs or impacts identified from this change as its intention is to remove any ambiguity within the current REC drafting. This will improve the administration of the TDIS and therefore the Code Manager believes there is a positive business case.

11 CASE FOR CHANGE

11.1 SELF GOVERNANCE

The Code Manager believes there is a positive case for change for this Change Proposal on the basis that;

- The solution is fully formed and appropriately resolves the problem statement by providing clarifications to the current obligations under TDIS;
- The solution does not introduce new Party obligations; and
- There are no identified costs associated with the implementation of this change.

12 CODE MANAGER'S RECOMMENDATION

The Code Manager recommends that the Change Panel;

- **APPROVE** the proposed change solution;
- **APPROVE** the proposed implementation approach; and
- **APPROVE** the proposed implementation date of 01 April 2023.

13 CONSULTATION PLAN AND NEXT STEPS

The consultation on this Preliminary Change Report will be published on the REC Portal on **17 February 2023** and closes on **10 March 2023.**

Following consultation, the Code Manager will produce an updated version of this Preliminary Change Report (referred to as the Final Change Report). This will include the outcome of the consultation, setting out a summary of the consultation submissions and the Code Manager's response.

The Final Change Report will be issued to the Change Panel to make its determination.

14 APPENDIX

CHANGE PROPOSAL	Link.
LEGAL DRAFTING	Link

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15 GLOSSARY

TERM	DEFINITION
Category 3	refers to the operational documents and guidance which are required to support, but do not place obligations upon, market participants and as such will be maintained by the Responsible Provider.
Consumer	means any person supplied (or seeking a supply) of Energy at an RMP (whether or not that person also exports or is seeking to export electricity at an RMP).
Distribution Network Operator (DNO)	means a person holding an Electricity Distribution Licence.
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 Reduction Schedule	means REC Schedule 7.
Gas Transporter (GT)	means a person holding a Gas Transporter Licence which requires that person to become a Party to this Code.
Meter Asset Provider (MAP)	means the person that makes the Metering Assets for an RMP available for use by the Registered Supplier and the Consumer.
Metering Equipment Manager (MEM)	means, as applicable, either: (a) for electricity, the 'Meter Operator Agent' (as defined in the BSC) Appointed by an Electricity Supplier; or (b) for gas, the 'Meter Asset Manager' (as defined in the UNC) Appointed by the Gas Supplier.
Prepayment Meter Infrastructure Provider (PPMIP)	means, for each Energy Supplier and fuel, the contracted service provider for prepayment services for to support that Energy Supplier's Prepayment Meters for that fuel.
Settlement	means settlement under the relevant industry codes (the BSC for electricity and the UNC for gas).
Theft Detection Inventive Scheme (TDIS)	is described in Annex 3 of the Energy Theft Reduction Schedule.
Theft Target	means the target number of Confirmed Energy Thefts to be identified by each Energy Supplier, to be determined in accordance with the Energy Theft Reduction Schedule.
Theft Target Methodology	is a methodology for determining Theft Targets, established and maintained by the REC Board under the Energy Theft Reduction Schedule.