RETAIL ENERGY CODE

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NON-CONFIDENTIAL CONSOLIDATED CONSULTATION RESPONSES

C3-0111 THEFT TARGET METHODOLOGY V3.0

On 20 December 2024 the Code Manager issued a consultation to industry to seek feedback on C3-0111 Theft Target Methodology v3.0.

The purpose of this document is to consolidate the responses and for the Code Manager to answer any questions raised within those responses.

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LEAD ANALYST	Holly Law

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Question 1:	Do you have any comments on the proposal not to change the definition of the segments for the 2024/25 Theft Year?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
ScottishPower Energy Retail Limited (Energy Supplier)	We acknowledge the benefits of retaining the existing segmentation framework as it supports continuity and minimises disruptions to suppliers' processes. It also guarantees some level of consistency and continuity with the existing framework provided by the 2024/25 methodology as this allows parties to build on existing processes rather than adapting to new definitions. We also see some value in a longer evaluation period for the newly introduced distinctions, such as smart vs. non-smart domestic meters. Data from 2024/25 supports the validity of the current segmentation. For instance, non-smart meters accounted for 66% of electricity thefts and 80% of gas thefts in domestic segments, justifying their separation from smart meters. However, some areas of concern for us are highlighted below. • Portfolio Discrepancy: There is a notable difference between the REC portfolio data and our figures which undermines the validity of the segment definitions. This discrepancy significantly impacts market share calculations leading to disproportionately high targets across all six pots. This misrepresentation also reduces the reliability of insights drawn from segment-specific performance data, compromising the accuracy of insights drawn from the data.	Thank you for your response, including your articulation of the key rationale to support the current segmentation. In respect to the specific concerns cited: • Portfolio data – this data is directly provided from the Central Switching Service and (for the split of meter type) the Electricity and Gas Enquiry Services. CSS is the central canonical source for the number of registered meters by supplier (MPID/Short Code). If you believe there are significant differences with your record of the portfolio we would recommend engaging directly with the relevant Switching Service Providers. • The derogation (for which responses can be provided until 7 February) allows for adjustments within each suppliers' electricity and (separately)

	• Domestic Premises Indicator Data: while adjustments can be made to ensure the accuracy of DPI data within specific pots, the overall totals cannot be challenged. This means the inflated portfolio figure directly influences/impacts target setting which may results in higher targets for parties due to the overstated portfolio size. • Lastly, while maintaining consistency is beneficial, retaining the current segmentation indefinitely risks failing to adapt to market shifts such as the increasing adoption of smart meters or evolving non-domestic market dynamics. Without periodic reviews, the segmentation may become less effective, potentially necessitating abrupt changes in future years which could impact planning activities.	gas portfolio. Given there is no scenario where it would be appropriate to move meters between fuel types this allows adjustment of the DPI driven data within each supplier portfolio. Overall numbers of meters cannot be adjusted as these represent the total registered portfolio as from CSS as noted above. • The TTM is subject to an annual review and hence there is opportunity to adjust segmentation to reflect market shifts. We would also highlight specifically for the Smart/non-Smart split whilst the segmentation is maintained the allocation of target is adjusted based on the (increasing) proportion of Smart Meters based on the centrally recorded data noted above and as set out in the TTM wording.
SSE Energy Supply Ltd (SSE Business Energy) (Energy Supplier)	SSE as a non domestic only supplier agree with the decision to keep the segments the same for 2025/26.	Thank you for your response and support for the change.
Future Group Ltd (Third Party Intermediary)	No	N/A

Question 2:	Do you have any comments on the proposed changes to the gas non-domestic TDV value and associated changes to the gas domestic and non-domestic targets?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
ScottishPower Energy Retail Limited (Energy Supplier)	The proposals rely on input from only five suppliers, representing just 29% of confirmed thefts. There is a risk that this narrow dataset may not accurately represent the market or reflect the costs or capabilities of all parties particularly in non-domestic segments where costs and performance are more variable. The discrepancy highlighted in Q1 results in higher targets for us in our gas domestic and non-domestic pots and creates undue pressure to meet difficult targets. Reallocating targets between gas domestic and non-domestic pots introduces additional complexities for suppliers and may increase the administrative burden, particularly in tracking progress and evaluating whether the changes lead to meaningful improvements. Internal systems must be recalibrated to track and report progress separately for each segment, increasing costs and administrative load. Finally, without robust tracking mechanisms, it may be challenging to assess whether the revised TDV and targets genuinely improve theft detection rates or merely increase administrative overheads.	We agree that a greater level of input from suppliers would have been helpful and we were disappointed not to receive further submissions given this was communicated well in advance and via a variety of communication channels including ETREG, the PA Webinar, REC Bulletin and direct communication to Party Contract Managers. There is an annual requirement to update the TTM, so this had to be completed using the available information. We would also note 23% represents a significant minority of the overall theft activity. As noted in our response to Q1 the overall portfolio data is as per CSS, and the current DPI adjustment derogation allows Parties to adjust the allocation between domestic and non-domestic sector where they believe the DPI is incorrect. While there may be changes in the level of operational activity and focus between

		sectors, we are unclear why changing the target introduced complexities and administrative burden for Parties. There is no change in the reporting requirements for Parties (either to collect or submit data) – rather the reallocation seeks to adjust for observed behaviour in the detection and reporting of theft across the market.
SSE Energy Supply Ltd (SSE Business Energy) (Energy Supplier)	As suppliers are rewarded/penalised based on their theft performance against other suppliers relative to their market share, the changes to non domestic targets have no impact this year as the TDV increase keeps the incentive pot value the same. We will be interested to see whether reducing the target in the non domestic sector and increasing the TDV creates a shift in emphasis from suppliers from electric to gas.	As with all changes we will review the impact of the change as part of the subsequent TTM annual review. The change will have some impact on the pot for domestic gas thefts but we recognise as a non-domestic supplier this will not impact you.
Future Group Ltd (Third Party Intermediary)	No	N/A

Question 3:	Do you have any comments on the other proposed changes to TDV?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
ScottishPower Energy Retail Limited (Energy Supplier)	The revisions are based on limited data from five parties which raises questions about the accuracy, validity and applicability of the assumptions for all market participants. Costs for smaller suppliers or	Please see our response to question 2.

	those with non-representative or niche portfolios may deviate significantly from the calculated averages. Also, doubling the TDV for gas non-domestic theft detection may inadvertently overcompensate suppliers, particularly in segments with low target achievement which could inflate costs without proportionate benefits in theft detection.	
SSE Energy Supply Ltd (SSE Business Energy) (Energy Supplier)	No	N/A
Future Group Ltd (Third Party Intermediary)	No	N/A

Question 4:	Do you have any comments on the proposal to adjust theft targets to reflect changes in the underlying Smart Meter population only, making no changes to the total scheme targets?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
ScottishPower Energy Retail Limited (Energy Supplier)	We acknowledge the intent in adjusting theft targets to reflect the growing penetration of smart meters as this ensures that targets remain aligned with market realities. By focusing on smart vs. non-smart ratios, the methodology accounts for the differing risks and capabilities associated with each meter type and recognises that theft detection dynamics differ between smart and non-smart meters, allowing for targeted interventions. However, inflated/inaccurate totals impact the total number of meters thereby distorting smart vs. non-smart ratios and could therefore lead to inflated targets. This creates undue pressure and risks misalignment between targets and achievable outcomes. Also, adjusting targets solely based on smart meter populations adds a layer of complexity for suppliers, as they must closely track meter types	As noted above the information used to identify the portfolio share and split of smart/non-Smart Meters is based on the Central Registration Services which are the canonical record available within the market. As you note there is benefit in adjusting the targets to reflect the increasing penetration of Smart Meters given the differing risks and capabilities associated with these meters.

	across their portfolios and align their theft detection strategies accordingly which could increase costs and operational demands.	
SSE Energy Supply Ltd (SSE Business Energy) (Energy Supplier)	As a non domestic only supplier we have no comments on this proposal.	Thank you for your response.
Future Group Ltd (Third Party Intermediary)	No	N/A

Question 5:	Do you have any other comments on the proposed TTM changes?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
ScottishPower Energy Retail Limited (Energy Supplier)	The use of data from only five suppliers limits the applicability of assumptions, particularly in segments like gas non-domestic, where historical performance has been poor. Broader consultation and data collection are essential to ensure fair and effective policy changes. Also, with multiple layers of adjustments covering TDV inflation, target redistribution, and segment-specific targets, it may become difficult to measure whether the changes result in tangible benefits, such as higher theft detection rates or reduced costs.	Please see our responses to questions 1 and 2 above.
SSE Energy Supply Ltd (SSE Business Energy) (Energy Supplier)	We would welcome a review of the current model and whether REC believe this achieves the best results in identifying theft, industry wide. We do not believe that the current model allows best practice to be shared, as ultimately, where suppliers achieve their targets, the less they will be rewarded, if industry begin to achieve a greater success	Thank you for your comments. As part of the changes for R0173 we have proposed additional activity to validate / review theft submissions (which will also

	rate. We believe this is a fundamental flaw in the current model. As we noted within other responses, we believe there needs to be an audit completed for a subset of confirmed cases to ensure that those being reported are true cases.	therefore include investigated but unconfirmed thefts) and the outcome of this will be considered through Performance Assurance activity and where appropriate in the setting of targets and shared with RECCo to consider when setting the overall Theft Reduction Strategy.
Future Group Ltd (Third Party Intermediary)	No	