RETAIL ENERGY CODE

This document is classified as **WHITE**.
Information is for public, unrestricted dissemination and publication.

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

INITIAL ASSESSMENT REPORT

R0091 – CLARIFICATIONS TO THE THEFT DETECTION INCENTIVE SCHEME

DOCUMENT VERSION	V1.0
DATE ISSUED	27/01/2023
DOCUMENT APPROVAL STATUS	APPROVED

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

DEADLINE FOR ALTERNATIVE CHANGE PROPOSALS	24/02/2023

LEAD CHANGE ANALYST



Elise Handy

Click to send an email

020 7898 9740

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

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 and the proposed changes have undergone an external legal review. This is 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.

4 IMPACTS

REC PARTIES AND SERVICE USERS
Energy Suppliers

RECCO / REC CODE MANAGER
Code Manager
RECCo

REC DOCUMENTS / PRODUCTS
Schedule 1 - Interpretations and Definitions
Schedule 7 - Energy Theft Reduction

[1] RECCo Theft Estimation Methodology Report

Clarifications are required to several clauses across the Code to:

- 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.

Legal text changes to Schedule 1 – Interpretations and Definitions and Schedule 7 – Energy Theft Reduction have been drafted by the Code Manager and are available to view here on the REC Portal.

This change will also introduce two new Category 3 documents, which will provide clarity on the TDIS reporting submission dates and the Theft Target Methodology used to set annual Theft Targets.

Other Parties are indirectly impacted by this change, such as Metering Equipment Managers, Distribution Network Operators, Gas Transporters, Meter Asset Managers and Consumers.

The Change may also be of interest to an extended list of market participants and stakeholders such as Prepayment Meter Infrastructure Providers, payment solutions providers and consumer groups.

5 CROSS CODE IMPACTS

No cross-code impacts have been identified as part of this Change Proposal.

6 CHANGE PATH AND RESPONSIBLE COMMITTEE

CHANGE PATH	SELF GOVERNANCE	RESPONSIBLE COMMITTEE	CHANGE PANEL

Changes are proposed to Schedule 1 – Interpretations and Definitions and Schedule 7 – Energy Theft Reduction which are under the responsibility of the Change Panel.

7 PRIORITY STATUS AND URGENCY

RETAIL ENERGY CODE

PRIORITISATION MATRIX

Category	Significance / Resource impacts / Urgency	Further selection / breakdown	Score (0-3)	Weighting	Weighted Score
Impacts	Consumer Impact	Indirect	0	27	0
	Retail Markets Impact	Retail Risk(s)	1	17	17
	RECCo / REC Party / REC Service Provider Impact	Operational Effectiveness and Efficiencies	0	7	0
		Legal and Regulatory Compliance	1	14	14
Resource	Complexity / Effort / Duration		1	9	9
Strategic Alignment	Contribution to/ Alignment with the objectives of the REC		1	17	8
	Contribution to/ Alignment with RECCo's Forward Work Plan		1		8
Urgency *(The need to progress a change to meet a targeted date)*		Other Planned Activity	3	10	30
				Overall Priority Score (rounded)	87
				Priority Status	LOW
				Change Proposal Type	STANDARD

Priority Score	Priority Status
171 and above	Critical
151 to 170	High
101 to 150	Medium
0 to 100	Low

Urgent Change Proposals meet the Criteria for Urgency as set out by Ofgem

The Priority Status of this Change Proposal is low based on a priority score of 87.

Retail Markets Impact - A score of 1 as this change ensures the ongoing efficacy of the TDIS that addresses risk drivers 11.1, 11.2 and 11.3 on the REC Portal Retail Risk Register[2].

Strategic Alignment – A score of 1 as while this change only clarifies existing obligations, it aligns with future plans to develop the TDIS in line with RECCo's Theft Reduction Strategy.

Urgency - An urgency score of 3 was given as it aligns with the next TDIS Reporting Year and should be progressed promptly to meet this date.

8 SUMMARY OF CHANGE PROPOSAL PLAN

The Code Manager has assessed the impacts of this Change Proposal and identified the necessary legal text changes, which have undergone external legal review. Therefore, solution development activity is not required. The legal text changes will be finalised ahead of the Preliminary Change Report being issued.

As the Change Proposal is clarifying existing obligations, impact assessment is not required.

The Preliminary Change Report will be issued for a 15 Working Day consultation on 17 February 2023, without first being presented to the REC Change Panel for review.

To enable approval of the change, and for the clarified obligations to be in place for the new TDIS Reporting Year on 01 April 2023, an ex-Committee decision will be required.

	FROM	TO
PRELIMINARY CHANGE REPORT AND CONSULTATION ISSUED	17/02/2023	17/02/2023
CONSULTATION	17/02/2023	10/03/2023
FINAL CHANGE REPORT ISSUED	21/03/2023	21/03/2023
RESPONSIBLE COMMITTEE DECISION (EX-COMMITTEE)	21/03/2023	24/03/2023
APPEAL WINDOW CLOSURE	07/04/2023	07/04/2023

[2] Performance Assurance Retail Risk Register

9 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.