RETAIL ENERGY CODE

Energy Theft Reduction

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RETAIL ENERGY CODE

SCHEDULE 7

Energy Theft Reduction

Version: 2.32 Effective Date: [TBC]~~31 January 2022~~

Domestic Suppliers	Mandatory
Non-Domestic Suppliers	Mandatory
Gas Transporters	Mandatory
Distribution Network Operators	Mandatory
DCC	N/A
Metering Equipment Managers	N/A
Non-Party REC Service Users	N/A

Change History

Version Number	Implementation Date	Reason for Change
0.1	N/A	Initial version for industry consultation March 2020
1.1	15 January 2021	RECv1.1
2.0	1 September 2021	Revisions to define terms as part of digitisation
2.2	31 January 2022	R0020
2.3	[TBC]	[TBC]

1 Introduction

1.1. This REC Schedule sets out arrangements concerning Energy Theft, and is designed to support compliance by Energy Suppliers with their obligations in Condition 12A of the Energy Supply Licence.

1.2. The objective of Condition 12A of the Energy Supply Licences include that Energy Suppliers individually, and where necessary in cooperation with other Energy Licence holders, detect Energy Theft, investigate suspected Energy Theft, prevent Energy Theft once detected, and prevent Energy Theft by other means such as deterrence.

2 Theft Reduction Strategy

2.1. The REC Board shall maintain and keep under review a strategy (the Theft Reduction Strategy) that is:

(a) designed to support Energy Suppliers in minimising Energy Theft in so far as is

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reasonably practicable in accordance with the objective set out in Condition 12A of the Energy Supply Licences; and

(b) based on an up-to-date cost-benefit analysis.

3 Energy Theft Tip-Off Service

3.1. RECCo shall ensure that the ETTOS Service Provider provides the Energy Theft Tip-Off Service (ETTOS) as described in Annex 1.

3.2. Each Party shall comply with its respective obligations in respect of the ETTOS as set out in Annex 1.

4 Procurement of the TRAS

4.1. The REC Board shall procure, implement and thereafter maintain a Theft Risk Assessment Service (TRAS) as described in Annex 2.

4.2. Each Party shall provide such reasonable co-operation as the REC Board may request in relation to the procurement and maintenance of the Energy Theft Tip-Off Service and the Theft Risk Assessment Service.

5 Energy Theft Detection Incentive Scheme

5.1. RECCo shall administer the Theft Detection Incentive Scheme as described in Annex 3.

5.2. Each Party shall comply with its respective obligations in respect of the Theft Detection Incentive Scheme as set out in Annex 3.

6 Theft Estimation Methodology

6.1. The REC Board shall establish and maintain a methodology for determining~~, for each instance of Energy Theft, the amount of gas or electricity which was the subject of such Energy Theft~~ a robust estimate of the aggregate amount of Energy Theft taking place in Great Britain (to be known as the Theft Estimation Methodology). The Theft Estimation Methodology can include a breakdown of estimated volumes of Energy Theft across identified C~~c~~onsumer segments, and must (as a minimum) contain a breakdown between:

(a) gas and electricity; and

(b) Domestic Consumers and Non-Domestic Consumers.

~~6.1.~~6.2. Before establishing the Theft Estimation Methodology, the REC Board shall ensure that ~~all~~ interested persons are consulted, including:

(a) Parties;

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(b) the Authority; and

(c) each and every expert appointed under an Energy Code for the purposes of quantifying losses of gas and/or electricity.

~~6.2.~~6.3. The ~~Code Manager~~REC Board shall make the Theft Estimation Methodology available to Parties via the REC Portal.

~~6.3.~~6.4. Once the Theft Estimation Methodology has been established or revised to the satisfaction of the REC Board, ~~it~~the value contained in such Theft Estimation Methodology shall be used as the ~~conclusive means~~reference volume of ~~determining~~Energy Theft for the purposes of this Code ~~the amount of gas and/or electricity which was the subject of Energy Theft.~~.

~~6.4.~~6.5. The REC Board shall ensure that the Theft Estimation Methodology is periodically reviewed in consultation with interested persons (as referred to in Paragraph 6.2).

~~6.5.~~6.6. The REC Board shall report annually on Confirmed Energy Thefts, the amount of gas and/or electricity which was the subject of such Energy Thefts, and the progress that is being made in reducing that figure.

7 Theft Target Methodology

7.1. The ~~REC Board~~**Code Manager** shall establish and maintain a methodology for determining annual targets for the number of Confirmed Energy Thefts to be identified by Energy Suppliers (to be known as the Theft Targets and the Theft Target Methodology), consistent with any design principles and objectives of the TDIS as may be set out in the Theft Reduction Strategy or otherwise instructed by RECCo.

7.2. Before establishing the Theft Target Methodology, the ~~REC Board~~**Code Manager** shall ensure that ~~all~~ interested persons are consulted, including:

(a) Parties;

(b) the Authority; ~~and~~

(c) Citizens Advice and Citizens Advice Scotland; and,

(d) the REC Performance Assurance Board.

7.3. The Code Manager shall make the Theft Target Methodology available to Parties via the REC Portal.

7.4. The Theft Targets for individual Energy Suppliers will be used in relation to the TDIS. Each Energy Supplier's Theft Targets will be notified to it in accordance with the arrangements for those schemes.

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7.5. The ~~REC Board~~Code Manager shall ensure that the Theft Target Methodology is reviewed ~~at least once every two years~~annually, following completion of the TDIS Reporting Year Summary Report and in consultation with interested persons.

7.6. In establishing and reviewing the Theft Target Methodology, the objective shall be to set Theft Targets that result in a net benefit to Consumers as compared to taking no action, ~~taking into account the likely cost of identifying a Confirmed Energy Theft.~~having regard to:

(a) the prevailing estimate of the aggregate amount of Energy Theft taking place in Great Britain, as determined by the Theft Estimation Methodology;

(b) the breakdown of estimated volumes of Energy Theft across the C~~c~~onsumer segments identified in the Theft Estimation Methodology;

(c) the relative performance of Energy Suppliers in reporting Confirmed Energy Thefts in previous TDIS Reporting Years; and,

(d) the likely cost of identifying a Confirmed Energy Theft in each of the identified C~~c~~onsumer segments.

8 Theft Assessment Calculator

8.1. The REC Board shall establish and maintain a **Theft Assessment Calculator** for Parties to use in order to determine the amount of Energy that may have been stolen at an individual premises at which Energy Theft is discovered.

8.2. The REC Board shall make the **Theft Assessment Calculator** available to Parties via the REC Portal.

8.3. Each Party must ensure that the assessment of unrecorded units, in respect of suspected or Confirmed Energy Theft, is carried out in a systematic, reasonable, consistent and transparent way in accordance with the **Unbilled Energy Code of Practice**.

8.4. When assessment calculation tools are required to assess unrecorded units, Parties must utilise the **Theft Assessment Calculator**, unless otherwise agreed with the Code Manager.

Annex 1: Energy Theft Tip-Off Service

1 GOVERNANCE

1.1 The REC Board may establish a Sub-Committee to oversee the Energy Theft Tip-Off Service (ETTOS).

2 FUNDING

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2.1 Subject to Paragraph 2.2, all ETTOS Liabilities incurred by RECCo (howsoever arising) shall constitute recoverable costs to be paid by Energy Suppliers pursuant to Clause 9 of the main body of this Code.

2.2 Paragraph 2.1 shall not apply in respect of ETTOS Liabilities to the extent that RECCo has a claim against another person in respect of such ETTOS Liabilities. Such other persons may include one or more of the ETTOS Service Provider, the ETTOS Recipients and/or the Code Manager. In the case of any such claim against any such person, RECCo shall take all reasonable steps and proceedings to pursue and recover any amounts to which it is entitled from such other persons, unless and until the REC Board determines (in consultation with Energy Suppliers) that there is no reasonable prospect of success.

2.3 Notwithstanding Paragraph 2.2 and the existence of any claim referred to in that Paragraph, pending the recovery of amounts pursuant to Paragraph 2.2, the ETTOS Liability in question shall constitute a recoverable cost to be paid by Energy Suppliers pursuant to Clause 9, subject to subsequent reconciliation once any amount is recovered pursuant to Paragraph 2.2.

2.4 RECCo shall take all reasonable steps to mitigate its ETTOS Liabilities.

3 PERFORMANCE ASSURANCE

3.1 The REC PAB may require that a person that is reasonably independent of the Parties and the ETTOS Service Provider, undertakes a performance assurance audit in respect of the ETTOS, and reports to the REC PAB and the Authority on the outcome of such audit.

3.2 The REC PAB shall ensure that any such audit and report is undertaken in accordance with any relevant requirements stipulated in the Energy Supply Licences.

4 DATA PROTECTION & USE OF DATA

4.1 The words and expressions in this Paragraph 4 that are not otherwise defined in this Agreement shall be interpreted in accordance with the Data Protection Legislation.

4.2 The obligations of the ETTOS Service Provider in respect of the Processing of Personal Data are dealt with in Paragraph 7.3(~~d~~a).

4.3 In respect of the ETTOS Service Data, each ETTOS Recipient undertakes to only Process that data:

(a) in accordance with Good Industry Practice;

(b) in accordance with the Data Protection Legislation, the Regulation of Investigatory Powers Act 2000, and the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000; and

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(c) for the purposes of receiving services pursuant to the Energy Theft Tip-Off Service and/or discharging its obligations pursuant to its Energy Supply Licence, Gas Transporter Licence or Electricity Distribution Licence (as applicable).

4.4 Each ETTOS Recipient shall indemnify RECCo Ltd for any cost, claim or expense arising under the ETTOS Contract as a result of that ETTOS Recipient causing the ETTOS Service Provider to be in breach of any of the Data Protection Legislation, the Regulation of Investigatory Powers Act 2000, and/or the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000.

4.5 Without prejudice to the licence referred to in Paragraph 7.3(b), it is agreed that the ETTOS Service Provider retains ownership of the ETTOS Service Data.

5 CO-OPERATION

5.1 Each ETTOS Recipient shall provide the ETTOS Service Provider with reasonable cooperation in all matters relating to the Energy Theft Tip-Off Service (provided that no ETTOS Recipient shall be obliged to incur material cost in so doing).

5.2 Each ETTOS Recipient shall compensate RECCo for all reasonable costs, charges or losses sustained or incurred by RECCo to the ETTOS Service Provider (excluding any loss of profit or loss of reputation):

(a) that arise from the ETTOS Recipient's fraud; and/or

(b) from any claim made against the ETTOS Service Provider (or its parent) by any third party arising from the ETTOS Recipient's failure to act on information provided by the ETTOS Service Provider under the Energy Theft Tip-Off Service.

6 CONFIDENTIALITY

6.1 Subject to Paragraphs 6.2 and 6.3, each ETTOS Recipient undertakes to treat the ETTOS Service Data as confidential and to safeguard it in accordance with Good Industry Practice.

6.2 The obligations of confidentiality in this Paragraph 6 shall not apply to the extent that:

(a) disclosure is required in accordance with its Energy Licence or any law or by a court of competent jurisdiction or any regulatory body;

(b) such information was separately created or obtained by the Party seeking to make a disclosure without an obligation of confidentiality; and/or

(c) such information is already in the public domain at the time of disclosure otherwise than by a breach of this Agreement.

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6.3 Each ETTOS Recipient may disclose the ETTOS Service Data to its agents and contractors insofar as is necessary for the purposes of receiving services pursuant to the ETTOS Contract and/or discharging its obligations pursuant to its Energy Supply Licence, Gas Transporter Licence or Electricity Distribution Licence (as applicable). Each ETTOS Recipient shall contract with its agents and contactors on provisions equivalent to this Paragraph 6, and shall be responsible for any disclosure and use of such data by any such persons otherwise than in accordance with this Agreement.

6.4 Where the ETTOS Service Provider is the source of a tip-off, each ETTOS Recipient shall ensure that:

(a) the name of the ETTOS Service Provider and its associated brands (including 'Crimestoppers' and 'Stay Energy Safe') are not disclosed as the source of the tip-off by the ETTOS Recipient (or its contractors or agents who are undertaking the investigation) to the customer (or anyone else at the site where enquiries are being made); and

(b) the ETTOS Recipient has controls and training measures in place which are designed to ensure that its contractors and agents adhere to the requirement set out in Paragraph 6.4(a).

7 LIABILITIES AND CLAIMS

7.1 The limitations of liability set out in Clause 14 of the main body of this Code shall not apply in respect of any breach by a Party of this Annex 1, but the following shall instead apply in respect of such breaches:

(a) nothing in this Paragraph 7.1 shall limit a Party's liability for death or personal injury caused by its negligence, or for fraud or fraudulent misrepresentation;

(b) the Party in breach shall be liable for the losses that were reasonably foreseeable as likely to arises as a result of the breach (to be assessed at the time of the breach, and not at the time at which the Party became a Party); and

(c) the Party in breach shall not be liable for the losses that were not reasonably foreseeable as likely to arises as a result of the breach (to be assessed at the time of the breach).

7.2 For the purposes of Paragraph 7.1, it is acknowledged and agreed that a breach of this Schedule by an ETTOS Recipient may cause RECCo to incur an ETTOS Liability to the ETTOS Service Provider.

7.3 RECCo shall contract with the ETTOS Service Provider on the basis that each ETTOS Recipient has a directly enforceable contractual right against the ETTOS Service Provider in respect of (as a minimum) the following (subject to and in accordance with the terms and conditions set out in the ETTOS Contract):

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(a) an obligation on the ETTOS Service Provider to only Process Personal Data it obtains in provision of the ETTOS Contract in accordance with the Data Protection Legislation and the ETTOS Contract;

(b) a non-exclusive licence for the term of the ETTOS Contract to use the ETTOS Service Data for the purpose of detecting, investigating and preventing energy theft;

(c) a non-exclusive licence for the term of the ETTOS Contract to use the ETTOS Service Provider's name and logo only for the purposes of promoting the Energy Theft Tip-Off Service to customers of the ETTOS Recipient; and

(d) an obligation on the ETTOS Service Provider equivalent to the obligation set out in Paragraph 6.

7.4 Each ETTOS Recipient hereby agrees with RECCo ~~Ltd~~ in respect of any claim that the ETTOS Recipient may have against the ETTOS Service Provider in respect of the ETTOS Contract, to:

(a) notify RECCo of any such claim;

(b) irrevocably appoint and use RECCo as the ETTOS Recipient's exclusive agent (to the exclusion of itself and all other persons) to pursue, negotiate and conduct any such claims (which role RECCo may choose to delegate);

(c) provide RECCo with all reasonable assistance requested by RECCo in respect of the conduct of such claims;

(d) take all reasonable steps to mitigate any ETTOS Liabilities; and

(e) where the ETTOS Recipient's claim relates to a claim by a third party against the ETTOS Recipient, not make any admission, settlement or payment in respect of such claim without first obtaining RECCo's consent (such consent not to be unreasonably withheld or delayed).

8 ETTOS SERVICE DESCRIPTION AND RECIPIENT OBLIGATIONS

8.1 A full description of the Energy Theft Tip-Off Service is set out in the ETTOS Contract. The Energy Theft Tip-Off Service can be summarised as follows:

(a) the ETTOS Service Provider makes itself available to receive tip-offs;

(b) the ETTOS Service Provider seeks to match the tip-off to an Energy Supplier and if the ETTOS Service Provider can match the tip-off to an Energy Supplier, then the ETTOS Service Provider notifies the Energy Supplier of the tip-off;

(c) if the ETTOS Service Provider cannot match the tip-off to an Energy Supplier,

then the ETTOS Service Provider notifies the relevant Gas Transporter or Distribution Network Operator of the tipoff;

(d) if the ETTOS Service Provider cannot match the tip-off to an Energy Supplier, a Gas Transporter or a Distribution Network Operator, then the ETTOS Service Provider logs the tip-off as unmatched; and

(e) in addition to the above, where the ETTOS Service Provider identifies that there is a serious safety concern, then the ETTOS Service Provider contacts the National Gas Emergency Service or the relevant Distribution Network Operator, as applicable.

8.2 Each ETTOS Recipient shall:

(a) provide a single point of contact (a group or multi-user email address) for the ETTOS Service Provider to manage the exchange of information between the ETTOS Service Provider and that ETTOS Recipient in respect of the Energy Theft Tip-Off Service;

(b) ensure that the group or multi-user email address is maintained and monitored, for the receipt of ETTOS Service Data.

(c) provide reasonable support to the ETTOS Service Provider in relation to publicising the Energy Theft Tip-Off Service (provided that no ETTOS Recipient shall be obliged to incur material cost in so doing).

8.3 Each Gas Transporter and Distribution Network Operator shall ensure that data is provided to the ETTOS Service Provider to enable it to match tip-offs containing a full address to the relevant RMP, Energy Supplier and Gas Transporter and Distribution Network Operator. Such data shall be provided in such format and at such frequency as the ETTOS Service Provider reasonably requests.

8.4 Where an Energy Supplier receives a tip-off from the ETTOS Service Provider for a premises and fuel for which it is the Registered Supplier, the Energy Supplier shall read the tip-off within 10 Working Days and ensure that it is investigated in accordance with the Unbilled Energy Code of Practice.

8.5 Where an Energy Supplier receives a tip-off from the ETTOS Service Provider for a premises and fuel for which it is not the Registered Supplier, then it shall notify the ETTOS Service Provider (including details of the Registered Supplier, if known) within 10 Working Days.

8.6 Where a Gas Transporter or Distribution Network Operator receives a tip-off from the ETTOS Service Provider for a premises for which it is the relevant Gas Transporters or Distribution Network Operator (as applicable), it shall, within 10 Working Days:

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(a) identify the full address and notify this to the ETTOS Service Provider;

(b) identify the Registered Supplier and notify this to the ETTOS Service Provider or identify that there is no Registered Supplier and/or RMP (and notify this to the ETTOS Service Provider);

(c) (where applicable) comply with its obligations under the Unbilled Energy Code of Practice ; and

(d) if none of the above apply, then reply to the ETTOS Service Provider that no action can be taken, with the reason the tip-off could not be matched, so that the tip-off can be logged as unmatched.

8.7 Where a Gas Transporter or Distribution Network Operator receives a tip-off from the ETTOS Service Provider for a premises for which it is not the relevant Gas Transporter or Distribution Network Operator (as applicable), then it shall, within 10 Working Days, notify the ETTOS Service Provider (including details of the correct Gas Transporter or Distribution Network Operator, if known).

8.8 The results of any tip-off investigations initiated by Energy Suppliers should be fed into the Code Manager in accordance with Annex 2 to this REC Schedule.

8.9 Where a Party fails to comply with its obligations under this Paragraph 8, then an escalation process to be developed and implemented by the REC PAB shall apply.

8.10 The REC PAB shall have the right to conduct an audit of any investigation undertaken by a Party following a tip-off under the Energy Theft Tip-Off Service.

9 ADDITIONAL SERVICES

9.1 An Energy Supplier may, from time to time, request the provision of additional services or functionality pursuant to the ETTOS Contract; provided that the Energy Supplier pays the additional charges applicable to the additional services or functionality where applicable.

9.2 The additional services or functionality that can be requested, and the charges applicable to such additional services or functionality, will be set out in the REC Charging Methodology and/or REC Charging Statement.

9.3 An Energy Supplier that wishes to obtain any of the additional services or functionality provided for in this Paragraph 9 shall submit its request to the Code Manager. As soon as reasonably practicable following receipt of each such request, RECCo shall procure that the ETTOS Service Provider provides the Energy Supplier with such additional services or functionality; subject to and in accordance with the provisions of the ETTOS Contract, and subject to payment by the Energy Supplier of the applicable charges.

9.4 RECCo ~~Ltd~~ shall invoice each Energy Supplier for the charges (if any) incurred by that

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Energy Supplier pursuant to this Paragraph 9 on or around the same date as it submits invoices under Clause 9 of the main body of this Code.

Annex 2: Theft Risk Assessment Service

1 INTRODUCTION

1.1 The Theft Risk Assessment Service (TRAS) is the service via which Energy Suppliers are intended to maintain the arrangements required by Condition 12A of the Energy Supply Licences in order to give effect to the objectives set out in that Condition (except to the extent covered by the ETTOS).

1.2 The content of this Annex 2 largely replicates the directions issued by the Authority on modification of the Energy Supply Licences to introduce Condition 12A, which set out the framework for the original TRAS procurement. Those directions have now expired. The content of this Annex is intended to clarify the minimal requirements of the TRAS, and inform any future procurement exercise.

2 GOVERNANCE

2.1 The REC Board may establish a Sub-Committee to oversee the TRAS.

3 THE TRAS

3.1 The REC Board shall ensure that the TRAS is designed, procured and delivered in the manner that is most likely to facilitate:

(a) the development, operation and maintenance of an efficient, economical and coordinated service;

(b) effective competition between Energy Suppliers;

(c) protection of information and security of information and systems; and,

(d) efficient and transparent administration and implementation of the service.

3.2 The REC Board must ensure that the TRAS Service Provider takes all reasonable steps to:

(a) secure the achievement of the objective under Condition 12A of the Energy Supply Licences; and

(b) avoid doing anything which jeopardises the ability of Energy Suppliers to achieve that objective.

3.3 The REC Board shall ensure that the TRAS Service Provider (as a minimum):

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(a) identifies, collects, scrutinises and evaluates relevant information to profile the risk of Energy Theft at the premises of a Consumer;

(b) provides to the Registered Supplier all relevant information in respect of a premises that the relevant Supplier may reasonably require to: (i) determine which premises to investigate for suspected Energy Theft; and (ii) facilitate that investigation of Energy Theft;

(c) on notification from a Party that a person has (or is suspected to have) committed Energy Theft, provides to the notifying Party all relevant information held by the TRAS Service Provider to facilitate compliance with that Party's Energy Licence obligations; and

(d) provides such relevant information as a Party may reasonably request to support civil or criminal proceedings in respect of Energy Theft.

3.4 The REC Board must ensure that the TRAS Service Provider provides the information described in Paragraph 3.3 in a manner that is most likely to facilitate achievement of the objective referred to in Condition 12A of the Energy Supply Licences.

4 APPOINTMENT OF THE TRAS

4.1 The REC Board shall ensure that new TRAS arrangements are provided as soon as reasonably practicable, with the preferred solution(s) having been consulted upon as part of the RECCo Theft Reduction Strategy and informed by a robust business case and project plan.

4.2 The REC Board shall ensure that the TRAS Service Provider:

(a) is a suitable organisation, appointed on a competitive basis that is consistent with best industry practice relating to the procurement of a service such as the TRAS;

(b) is appointed under a contract that: (i) secures value for money in terms of the combination of quality and cost over the lifetime of the contract; (ii) requires delivery of the required goods, services or works to appropriate standards according to the needs of the Parties; and (iii) incorporates (at a cost that is not disproportionate to any associated benefit) sufficient flexibility to adapt to the requirements of Parties over the duration of the contract; and

(c) does not at any time hold or acquire investments by way of shares, securities, or associated rights of any kind in one or more Parties (or any Affiliates or Related Undertaking of any Party).

4.3 The REC Board shall ensure that the contract with the TRAS Service Provider enables Energy Suppliers to implement such practices and procedures in respect of contract

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management and contract performance as are necessary to ensure that they can at all times fulfil the requirements of their Energy Supply Licences.

4.4 Without limiting the general effect of Paragraph 4.3, the contract with the TRAS Service Provider must provide:

(a) for Energy Suppliers to obtain the information referred to in Paragraph 3.3, and to be able to disclose such information to any third party where the Energy Supplier considers that doing so is necessary to promote the objective referred to in Condition 12A of the Energy Supply Licences;

(b) for the termination of the contract with the TRAS Service Provider no longer meets the requirements of Paragraph 4.2(c); and

(c) for the establishment of agreed quality of service information.

5 No abuse of the TRAS' position

5.1 RECCo shall take all reasonable steps to ensure that the TRAS Service Provider at all times manages and operates its services in a way that is calculated to ensure that it does not restrict, prevent, or distort competition in any of the markets for the provision of services described in this Annex.

5.2 RECCo shall take all reasonable steps to ensure that the TRAS Service Provider at all times carries on its activities in a manner that does not give any cross-subsidy to, or receive any cross-subsidy from, any Affiliate or Related Undertaking of the TRAS Service Provider.

5.3 RECCo shall take all reasonable steps to ensure that the TRAS Service Provider does not unduly prefer one Energy Supplier (or class of Energy Supplier) over any other Energy Supplier (or class of Energy Supplier).

6 REPORTING

6.1 RECCo shall ensure that:

(a) the rules of operation of the TRAS are clearly documented and available to Parties; and~~,~~

(b) the TRAS Service Provider arranges for such management information reports, performance assurance reports or other information as may reasonably be required by the REC Board, the REC PAB or any other Sub-Committee are prepared and made available in the timescales and to the quality specified.

Annex 3: Theft Detection Incentive Scheme

1 INTRODUCTION

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~~1.1 The Electricity Theft Detection Incentive Scheme (TDIS) previously governed under the Distribution Connection and Use of System Agreement (DCUSA) and the Gas TDIS previously governed under the Supply Point Administration Agreement (SPAA) have been combined into the Energy TDIS, referred to in the rest of this document as the TDIS.~~

1.~~2~~1 The Theft Detection Incentive Scheme (TDIS)~~Scheme~~ applies to all Energy Suppliers and all Metering Points (electricity) and~~/or~~ Supply Meter Points (g~~G~~as).

1.~~3~~2 The TDIS is concerned with the detection of Confirmed Energy Thefts. Energy Suppliers shall ensure that in cases of a Confirmed Energy Theft, appropriate remedial steps shall be undertaken to stop the theft of ~~energy~~Energy from continuing.

2 ~~DEFINITIONS~~Not Used

~~2.1 For the purposes of this Schedule only, the following words or expressions shall have the meanings set out opposite them (unless the context requires otherwise):~~

~~**Domestic Sector**~~	~~means Supply Meter Points at Domestic Premises.~~
~~**Commercial Sector**~~	~~means Metering Points for those premises which were identified as commercial for the purposes of the Theft Risk Assessment Service Arrangements under the DCUSA.~~
~~**I&C Sector**~~	~~means Supply Meter Points at premises which are not Domestic Premises.~~
~~**Residential Sector**~~	~~means Metering Points for those premises which were identified as residential for the purposes of the Theft Risk Assessment Service Arrangements under the DCUSA.~~

3 THEFT TARGETS

3.1 The TDIS will operate across both electricity and gas, with ~~individual~~targeted incentive pots being established for each of the ~~two sectors~~Cconsumer segments identified in ~~each fuel, currently defined as~~ the Theft Target Methodology, being ~~either the Residential or Commercial Sector (for~~as a minimum separated between gas and electricity~~) or the~~ and Domestic ~~or I&C Sector (for gas).~~Consumers and Non-Domestic Consumers.

3.2 ~~A Theft Target will be determined~~The Code Manager shall determine and ~~published~~publish, by no later than 1 March each year~~-~~, the Theft Targets, setting the targeted number of Confirmed Energy Theft detections for the following TDIS Reporting Year.

3.3 The overall Theft Target will be disaggregated to provide a separate Theft Target for each ~~section~~Cconsumer segment of the TDIS, as referred to in Paragraph 3.1.

~~4 THEFT DETECTION VALUE~~

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3.4 The Code Manager shall establish and confirm to each individual Energy Supplier, and the Authority upon request, the Energy Supplier's calculated Theft Target for each of the Cconsumer segments identified in the Theft Target Methodology which are applicable to the Energy Supplier.

3.5 Each Energy Supplier's individual Theft Target will be based on its market share figures, using the portfolio data made available to RECCo for the purposes of producing its invoices under this Code for the final Quarter prior to the start of the TDIS Reporting Year, and such other data as may reasonably be available to the Code Manager to facilitate Cconsumer segmentation in accordance with the Theft Target Methodology.

3.65 Where the market share figures for an Energy Supplier with a non-domestic only supply licence include a non-zero market share of Domestic Consumers, the Code Manager will adjust the calculation to re-allocate this share to the Non-Domestic Consumer Theft Target.

3.76 Theft Targets, including each Energy Supplier's individual Theft Target, will be rounded down to the nearest whole number, which for the avoidance of doubt may be zero.

3.87 If, following the date of the market share figures on which the Theft Targets were calculated but before the end of the TDIS Reporting Year, an Energy Supplier purchases all (or substantially all) of an Energy Supplier's supply contracts, then the Code Manager shall:

(a) reduce to zero the selling Energy Supplier's Theft Target(s) for that TDIS Reporting Year;

(b) increase the purchasing Energy Supplier's Theft Target(s) by the amount of the selling Energy Supplier's Theft Target(s) as they existed prior to such reduction (or, if the purchasing Energy Supplier was not previously a TDIS Qualifying Supplier, recognise that Energy Supplier as a TDIS Qualifying Supplier and allocate the selling Energy Supplier's Theft Target(s) to the purchasing Energy Supplier); and

(c) re-allocate any and all Confirmed Energy Thefts in that TDIS Reporting Year previously identified as having been detected by the selling Energy Supplier to the purchasing Energy Supplier.

3.98 Paragraph 3.87 will not apply in the circumstances of a failed Energy Supplier's customers being transferred to another Energy Supplier as a result of the Supplier of Last Resort Process.

4 THEFT DETECTION VALUE

4.1 Each theft detection will qualify for an incentive payment, the value of which shall be referred to as the "Theft Detection Value". This value is based on the likely net cost to an Energy Supplier of having undertaken activity to detect the theft, as compared with having taken no action.

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4.2 The Code Manager~~, will establish~~ shall, at the same time as it determines and publishes the Theft Targets for a TDIS Reporting Year, establish and publish a Theft Detection Value for each ~~of section of the TDIS and publish that value alongside the 2021/22 Theft Target.Cc~~onsumer segment to be used in that TDIS Reporting Year.

5 INCENTIVE SCHEME POTS

5.1 The TDIS will provide ~~each of the sectors with~~ an individual 'pot' for each of the relevant Cconsumer segments.

5.2 The size of the individual incentive pots will be calculated individually in advance of the TDIS Reporting Year, based on the following methodology:

*(X * Y)*

Where:

X = The ~~'~~Theft Target~~'~~ for the TDIS Reporting Year~~, applying~~ which applies to the relevant ~~section~~Cconsumer segment of the scheme.

Y = The ~~'~~Theft Detection ~~Value', applying~~Value which applies to the relevant ~~section~~Cconsumer segment of the scheme.

5.3 Based on the formula set out above, ahead of each TDIS Reporting Year, the Code Manager ~~will~~shall publish the ~~size~~value of ~~the~~each individual incentive ~~pots in a populated version of the following table:~~pot for that year.

~~-~~	~~Electricity~~	~~Gas~~
~~Residential/Domestic Sector~~	~~£ [ ]~~ ~~([ ] x £[ ])~~	~~£ [ ]~~ ~~([ ] x £[ ])~~
~~Commercial/I&C Sector~~	~~£ [ ]~~ ~~([ ] x £[ ])~~	~~£ [ ]~~ ~~([ ] x £[ ])~~

~~5.4 Each Energy Supplier's individual Theft Target will be based on its market share figures, using the portfolio data made available to RECCo for the purposes of producing the Q4 2020/21 RECCo invoices.~~

~~5.5 By no later than 18 March 2021 the Code Manager will establish and confirm to each individual Energy Supplier, and the Authority upon request, the Energy Supplier's calculated Theft Targets for each of the Residential, Domestic, Commercial, and I&C Sectors.~~

~~5.6 Where a calculated Theft Target is under 1, the Energy Supplier will be exempt from the relevant scheme section for the 2021/22 TDIS Reporting Year unless it chooses to opt in (by notice in writing to the Code Manager before 1 April 2021), in which case they will be~~

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assigned a Theft Target of 1.

5.7 Theft Targets of 1 and over will be rounded to the nearest whole number.

5.8 Energy Suppliers which are exempt from a relevant TDIS Reporting Year and which do not opt into the TDIS, remain obligated under the standard conditions of their Supply Licence to prevent, detect and investigate theft.

5.9 If, following the date of the market share figures on which the Theft Targets were calculated but before the end of the 2021/22 TDIS Reporting Year, an Energy Supplier purchases all (or substantially all) of a TDIS Qualifying Supplier's supply contracts, then the Code Manager shall:

(a) reduce to zero the selling Energy Supplier's Theft Target(s) for that TDIS Reporting Year and the relevant scheme sector(s);

(b) increase the purchasing Energy Supplier's Theft Target(s) by the amount of the selling Energy Supplier's Theft Target(s) as they existed prior to such reduction (or, if the purchasing Energy Supplier was not previously a TDIS Qualifying Supplier, recognise that Energy Supplier as a TDIS Qualifying Supplier and allocate the selling Energy Supplier's Theft Target(s) to the purchasing Energy Supplier); and

(c) re-allocate any and all Confirmed Energy Thefts in that TDIS Reporting Year previously identified as having been detected by the selling Energy Supplier to the purchasing Supplier.

6 REPORTING CONFIRMED THEFTS

6.1 Only submissions which meet the Confirmed Energy Theft definition will be in scope for the TDIS and count towards Theft Targets. Each Energy Supplier must ensure that its submissions are compliant with the data specification set out in the Performance Assurance Reporting Catalogue.

6.2 From the start of the 2021/22 TDIS Reporting Year, TDIS Qualifying Suppliers will be required to record Confirmed Energy Thefts, but only to submit them to RECCo via the REC Portal when this becomes available.

6.2 Each Energy Supplier shall record all Energy Theft investigations at the point the theft investigation commences and shall submit such records to the Code Manager via the REC Portal. Once the investigation is concluded, details of the Energy Theft investigation must be re-submitted together with the outcome. Submissions must be compliant with the data specification set out in the Performance Assurance Reporting Catalogue.

6.3 Any Confirmed Energy Theft not reported within the relevant timeframe as may be prescribed by the Code Manager will be excluded from the TDIS unless otherwise agreed with the REC Performance Assurance Board. Only Confirmed Energy Thefts identified within the specified start and end dates of the TDIS Reporting Year will be eligible for that TDIS

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Reporting Year.

6.4 The Code Manager shall ensure that there is a process in place to share data relating to Confirmed Energy Thefts with the CDSP and DNOs for the purpose of the volume of energy associated with each such case being recognised within settlement, consistent with the intent of paragraph 15 of the Unbilled Energy Code of Practice.

7 TDIS REPORTING TIMEFRAME AND END OF YEAR REPORTING

7.1 The Code Manager shall produce and provide to Energy Suppliers, by 1 March each year for the following TDIS Reporting Year, a timetable (known as the a TDIS Reporting Timeframe) which will include the deadlines for:

(a) submission of Confirmed Energy Theft reports;

(b) raising queries on the Indicative TDIS Summary Report; and

(c) final submission of Confirmed Energy Theft reports, including resolution of any data validation errors for reports previously submitted, for inclusion with the TDIS Reporting Year.

7.2 Any changes to the TDIS Reporting Timeframe during the TDIS Reporting Year will be subject to at least one month's notice of the change being given to Energy Suppliers.

~~6.3 From 1 October 2021 onwards, the Code Manager will produce and send to each TDIS Qualifying Supplier and the REC PAB, an anonymous overall Indicative TDIS Summary Report.~~ 7.3 The Code Manager shall produce and provide to each Energy Supplier and the REC PAB, an overall Indicative TDIS Summary Report. The Code Manager shall provide each Energy Supplier with a copy of the Indicative TDIS Summary Report with the Confirmed Energy Thefts for all other Energy Suppliers anonymised. The Code Manager shall provide the REC PAB with a non-anonymised copy of the Indicative TDIS Summary Report.

~~6~~7.4 The content of the Indicative TDIS Summary Report will ~~be developed by the Code Manager in collaboration with the REC PAB, but will~~ detail the aggregate number of Confirmed Energy Thefts recorded for the relevant scheme month for each Energy Supplier against each of their relevant Theft Target ~~(but withs~~. The specific format of the ~~Energy Supplier's identity anonymised).~~ Indicative TDIS Summary Report may be revised from time to time subject to the approval of the REC Performance Assurance Board.

~~6.5 The Code Manager shall advise each TDIS Qualifying Supplier of its individual identifier within the anonymous Indicative TDIS Summary Report. The Code Manager shall also provide the REC PAB with the identities of the Energy Supplier to which each identifier relates.~~

~~6.6 Any Confirmed Energy Theft not reported within the relevant timeframe as may be prescribed by the Code Manager may be excluded from the 2021/22 TDIS. Only Confirmed~~

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Energy Thefts identified within the specified start and end dates of the TDIS Reporting Year will be eligible for the 2021/22 TDIS.The Code Manager will issue to the TDIS Qualifying Suppliers and the REC PAB an anonymous overall final report (the "TDIS Reporting Year Summary Report"), in accordance with the REC PAB calendar.

7.5 Each Energy Supplier is responsible for reviewing the Indicative TDIS Summary Report and raising any queries with the Code Manager on a timely basis, and in all cases prior to the date required by the TDIS Reporting Timeframe.

7.6 The Code Manager shall issue to the TDIS Qualifying Suppliers and the REC Performance Assurance Board an updated version of the Indicative TDIS Summary Report (the TDIS Reporting Year Summary Report), in accordance with the REC Performance Assurance Board calendar. The Code Manager shall provide each Energy Supplier with a copy in which the Confirmed Energy Thefts for all other Energy Suppliers are anonymised. The Code Manager shall provide the REC PAB with a copy that has not been anonymised.

8 DEBITS AND CREDITS

8.1 The Code Manager will be responsible for the calculation ofshall calculate the financial debits and credits resulting from the TDIS, in accordance with the rules of the scheme, utilising the information provided within the TDIS Reporting Year Summary Report.

8.2 All debits and credits associated with the TDIS Reporting Year will be calculated by the Code Manager based on the total number of Confirmed Energy Thefts shown within the final TDIS Reporting Year Summary Report, covering the full twelve-month period of the TDIS Reporting Year and utilising Energy Supplier market share figures based on the figures utilised at the commencement of that TDIS Reporting Year.

8.3 Debits and credits resulting from the TDIS will be calculated for each Cconsumer segment within the scheme, using the following formula:

(X(STD / TTD)) – (X*FMPS)*

except where FMPS equals zero when expressed to five decimal places, in which case no credit or debit will be applied, or in the case of a TDIS Qualifying Supplier whose Theft Target for such segment was zero, in which case no debit may be applied but a credit may be.

Where:

X is the total incentive pot value of the relevant sectionCconsumer segment of the TDIS, amended in line with the percentage change in the 'Consumer Price Index' between the index published for the start and the end of the TDIS Regulatory Year.

STD is the number of Confirmed Energy Thefts recorded by the Energy

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Supplier. in the relevant Ceonsumer segment.

TTD is the total number of Confirmed Energy Thefts recorded in the TDIS Reporting Year for the relevant Ceonsumer segment.

FMPS is the final Metering/Supply Meter Point market share of the TDIS Qualifying Supplier in the TDIS Reporting Year for the relevant Ceonsumer segment (being the TDIS Qualifying Supplier's market share as a percentage of the Metering/Supply Meter Points of all the TDIS Qualifying Suppliers based on the figures used at the start of the TDIS Reporting Year).

~~7~~8.4 Once calculated, notification of the relevant debit and credit values will be communicated to each individual TDIS Qualifying Supplier by the Code Manager, within 144 calendar days after the end of the TDIS Reporting Year.

~~7~~8.5 The TDIS credits and debits will be undertaken by ~~the Code Manager~~RECCo via existing Energy Supplier invoicing arrangements. All debit invoices issued under the TDIS will be subject to the normal payment terms as set out in the main body of this Code.

~~7~~8.6 Non-payment of the TDIS debit invoices will be treated in the same manner as the non-payment of other RECCo invoices under this Code, with the same sanctions being applicable.

~~7~~8.7 The issuing of credits from the TDIS shall be done in such a way as to not discriminate between TDIS Qualifying Suppliers. This shall be achieved by paying out the proportion of the TDIS credits to all eligible TDIS Qualifying Suppliers commensurate to the proportion of the TDIS debits received at that time.

~~8~~9 GENERAL

~~8~~9.1 All notices to Energy Suppliers under or in relation to the TDIS are to be sent to its Contract Manager and to its single point of contact nominated for the purpose of performance assurance.

~~8~~9.2 TDIS Qualifying Suppliers may be required to self-certify (in a format determined by the REC PAB) that all Confirmed Energy Thefts are in accordance with the definition of Confirmed Energy Theft under this Code.

~~8~~9.3 The REC PAB reserves the right to conduct an audit of each TDIS Qualifying Supplier's evidence for Confirmed Energy Thefts.

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