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CONFIDENTIAL CONSOLIDATED CONSULTATION RESPONSES

R0173 IMPROVEMENTS TO THE THEFT DETECTION INCENTIVE SCHEME

On 18 October 2024, the Code Manager issued a consultation to industry to seek feedback on the Change Report for R0173.

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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RESPONSE TYPE	**NON-CONFIDENTIAL**
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RESPONSIBLE COMMITTEE	Change Panel
LEAD ANALYST	Flo Monea

DATE CONSULTATION ISSUED	18/10/2024
RESPONSE DEADLINE	08/11/2024

Question 1:	Do you agree with the proposed solution? If not, please explain why?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
SSE Energy Supply Ltd (Energy Supplier)	Whilst we appreciate the suggested amendments to the TDIS, we do not believe that the lack of confirmed thefts is due to the cost it takes to investigate such instances and do not believe that the current TDIS is the right model to incentivise the detection. As noted within the consultation, the TDIS was developed over a decade ago, which at that time, energy theft was known but the actual determination of a scheme was developed without a real certainty on how it should be taken forward. The issue that industry faces is the lack of ability of cross company investigations and enabling detection of 'hotspots' within the UK. We do not believe that the current model will create additional confirmed thefts as ultimately, the licence exists for these to be investigated therefore, should a supplier not be investigating theft, this is a licence issue, not a code issue. We largely agree with the proposed solution but wish to point out a few areas of concern: • As per our feedback on the impact assessment we still believe that REC PAB should develop specific auditing for confirmed thefts • We feel the proposed reporting is adding a layer of complexity which could lead to incorrect submissions.	Thank you for your response. Please see R0173 Final Change Report section 15.2 for a detailed response.

	• We also feel that some of the additional reporting is not necessary and creates extra work for suppliers i.e. Fuel type (this can be determined by REC from the Mpxn) therefore we do not believe this is necessary • We would like to understand what the purpose of the Theft investigation type permitted values I and O, as this will complicate recording of the theft details.	
ScottishPower Energy Retail Limited (Energy Supplier)	We responded to the party impact assessment for Change Issue I0173, which was the precursor for this proposal. Given that the draft legal text is entirely unchanged since the party impact assessment, we reiterate our comments made there (without reproducing them). We have two additional points to raise at this stage. First, we are concerned that the methodology for calculating debits and credits for investigations (that is, completed investigations with unconfirmed theft) does not take due account of the variability of leads received by suppliers. In that regard, suppliers have no control over how many leads they receive; they only control how many investigations they undertake relative to the number of leads. In turn, on a volume basis, one supplier may complete a greater number of investigations than another supplier, but as a result of having received more leads rather than operating a more proactive energy theft detection programme. We believe that the solution should take account of the proportion of investigations undertaken relative to the number of leads received, not just the volume of investigations undertaken (both on a market share basis) – before this proposal is advanced. Second, we are also concerned that oversight measures for energy suppliers' submissions under the TDIS are insufficiently robust, given that investigations are proposed to be included (and, in particular, desktop investigations – in contrast to our alternative proposal set out in our response to the party impact assessment for Change Issue I0173).	Noted. Thank you for your response. Please see R0173 Final Change Report section 15.2 for a detailed response.

	We believe that stronger assurance would be essential under this proposal, considering its potential to unintentionally incentivise low-quality and voluminous investigations (by suppliers not actively engaged in veritable energy theft detection work). We believe that the solution should include additional assurance measures before this proposal is advanced.	
ICoSS (Trade Body)	Broadly yes, though we have concerns that the solution will have limited impact as restricting the payments to ETTOS solution investigations will mean that for the majority of desktop investigations undertaken by suppliers will not qualify even if they are done in good faith on the basis of reasonable evidence. We believe that further work should be done in this area to ensure that suppliers are not unfairly penalised from undertaking due diligence investigations prior to a site visit, rather than arranging site visits simply to ensure that investigations qualify under the scheme.	Noted. Thank you for your response.
ENGIE (Energy Supplier)	Yes	Thank you for your response.
SEFE Energy (Energy Supplier)	**We do not agree with the proposed solution** The Theft Detection Incentive Scheme has had challenges with Suppliers meetings its targets from its inception. This not as a result of design flaw in terms of incentivisation (payment) but due to a fundamental overestimation of the level of theft. The scheme was specifically designed with inbuilt checks and balances against inefficient and inappropriate utilisation. Only proven thefts were in scope of support (payment) to minimise the risk of parties undertaking investigations were the chance of a theft being detected was negligible but for which payment could be obtained. It was also to	Noted. Thank you for your response.

	protect consumers from being targeted and or investigated were only a very limited amount of evidence and or information was available. If all ETTOS leads are now fundable, and noting that ETTOS is completely confidential, the potential for more leads being channelled via ETTOS to benefit from being eligible for compensation payments increases e.g. an interested third party could put leads via ETTOS to gain the benefit of them being in scope of payment.	

Question 2:	Do you agree with the proposed implementation date of 01 April 2025? If not, please explain why ?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
SSE Energy Supply Ltd (Energy Supplier)	SSE are happy with the implementation date of the 1st April 25.	Noted. Thank you for your response.
ScottishPower Energy Retail Limited (Energy Supplier)	We are content with the proposed implementation date of 1 April 2025, to align with the 2025/2026 TDIS Reporting Year. However, we believe that suppliers should be provided with sufficient time to prepare for operating under this change (with a minimum of 3 months from the date of a positive decision by the Authority on the proposal), to make any relevant system or process changes.	Noted. Thank you for your response.
ICoSS (Trade Body)	Any revision to the existing process for assessing whether a supplier has undertaken a qualifying theft investigation should be aligned with the start of the theft year.	Noted. Thank you for your response.

ENGIE (Energy Supplier)	Yes, sensible to align with the start of the next TDIS year.	Noted. Thank you for your response.
SEFE Energy (Energy Supplier)	We do not support implementation	Noted. Thank you for your response.

Question 3:	Do you agree with the Code Manager's assessment of the Change Path, that this Change Proposal should be subject to determination by the Authority following recommendation by the Change Panel?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
SSE Energy Supply Ltd (Energy Supplier)	SSE agree that this (and any change which can financially impact suppliers or customers) should be determined by the authority.	Noted. Thank you for your response.
ScottishPower Energy Retail Limited (Energy Supplier)	We agree that this proposal should be decided by the Authority, should it be advanced.	Noted. Thank you for your response.
ICoSS (Trade Body)	We agree that the change will have a material impact on REC parties and so should be subject to Authority Determination.	Noted. Thank you for your response.
ENGIE (Energy Supplier)	Yes	Noted. Thank you for your response.
SEFE Energy (Energy Supplier)	We agree with the Code Manager that this is subject to Authority direction.	Noted. Thank you for your response.

Question 4:	Do you have any other comments relating to this Change Proposal?	
RESPONDENT DETAILS	**RESPONSE**	**CODE MANAGER COMMENTS**
SSE Energy Supply Ltd (Energy Supplier)	As mentioned in other answers, SSE are of the view that this change proposal should be strengthened by outlining clearly the evidence required to be kept by a supplier of a confirmed theft, a qualifying site visit and a qualifying desk top investigation. Before any credit is issued, suppliers must be required to provide such recorded evidence for a random percentage of qualifying sites.	Noted. Thank you for your response.
ScottishPower Energy Retail Limited (Energy Supplier)	As noted in our response to the party impact assessment for Change Issue I0173, while we are supportive of amending the TDIS to reflect energy theft detection work by suppliers beyond confirmed theft, we see the rationale for that course as ensuring that the TDIS accurately reflects more of the work already undertaken by suppliers (actively engaged on energy theft detection). We would note that we are not convinced that this proposal would inherently increase the number of confirmed energy theft cases or the volume of confirmed energy theft to a noticeable degree. In that light, we would caution against any unrealistic expectations of the impact of this proposal on the amount of confirmed energy theft or supplier performance against the TDIS targets.	Noted. Thank you for your response.