RETAIL ENERGY CODE

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01	Proposal Plan
02	**Impact Assessment**
03	Consultation
04	Final Recommendation

CHANGE REPORT

R0234 – INTRODUCTION OF AN ENERGY THEFT REFERRAL ASSESSMENT SERVICE UNDER THE REC

DOCUMENT VERSION	1.0
PROPOSED IMPLEMENTATION DATE	27 June 2025
IMPLEMENTATION APPROACH	Big Bang

RESPONSIBLE COMMITTEE	CHANGE PANEL	**CHANGE PATH**	AUTHORITY DETERMINED
PRIORITY STATUS	MEDIUM	**URGENCY**	STANDARD
IMPACTED STAKEHOLDERS	ENERGY SUPPLIERS, DNOs, GAS TRANSPORTERS		

LEAD ANALYST (SOLUTION LEAD)	TECHNICAL LEAD	ASSURANCE LEAD	SUBJECT MATTER EXPERT
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OVERVIEW

This proposal seeks to establish a Referral Assessment Service (RAS) as a new REC service embedding it within REC governance. The RAS will assess, triage and co-ordinate all referrals received from industry parties of Energy Theft cases.

CODE MANAGER RECOMMENDATION

The Code Manager's minded-to position is to recommend that the Change Panel:

- **APPROVE** the proposed change solution;
- **APPROVE** the proposed implementation approach; and
- **APPROVE** the proposed implementation date of [27 June 2025].

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BACKGROUND

1 SUMMARY

Energy Theft is a significant issue, costing consumers between £457 million and £760 million annually (based on Autumn 2024 retail prices). Energy Theft also poses safety risks, particularly due to tampered meters, which have caused fatal incidents.
Whilst existing measures under the REC, such as the Energy Theft Tip-Off Service (ETTOS) and Theft Detection Incentive Scheme (TDIS) seek to provide information on likely instances of Energy Theft and the incentives to investigate them, there are currently insufficient enforcement mechanisms and coordination with law enforcement agencies. Specifically, there are challenges due to limited police engagement and inconsistent prosecutions, contributing to a low deterrent.
This proposal is intended to follow and to build upon the separate Change Proposal (I0233 Introduction of an Energy Theft Unit (ETU) under the REC) to establish the Energy Theft Unit (ETU). The proposed ETU is designed to address significant challenges in tackling Energy Theft by collaborating with the City of London Police to enhance investigation and prosecution efforts. Its objectives include reducing Energy Theft, deterring organised crime, and mitigating financial and safety risks to Consumers and the energy industry. The ETU will operate as a sponsored service in partnership with, and funded by industry, through RECCo.

2 PROBLEM STATEMENT

The introduction of the ETU provides the mechanism to prosecute and add a significant deterrent previously missing from the theft landscape. To ensure an effective operation of this unit, the theft referrals should include standardised data by introducing the Referral Assessment Service (RAS). RAS will assess, triage and co-ordinate theft referrals received from industry parties.

3 IMPACTS

CONSUMERS
All Consumers

REC SERVICE PROVIDERS
REC Performance Assurance (RPA)

RECCO / REC CODE MANAGER
RECCo

REC PARTIES AND SERVICE USERS
Secure Data Exchange Service
Energy Theft Tip Off Service (ETTOS)

REC DOCUMENTS / PRODUCTS
Performance Assurance Schedule
Energy Theft Reduction Schedule

MHHS DESIGN	MHHS DATA SPECIFICATION	MHHS CODE DRAFTING
No impact identified.	No impact identified.	No impact identified.

4 CROSS-CODE IMPACTS

No cross-code impacts have been identified.

5 PROPOSAL PLAN

Milestone	Activity	From	To
Definition		**13 Jan-25**	**1-Mar-25**
	Solution Development	**Completed**	**Completed**
	Business Case Assessment	**Completed**	**Completed**
	Party Impact Assessment	March	March
Change Proposal		**1-Mar-25**	**20-May-25**
	Business Case Assessment	March	April
	Consultation	April	May
	Solution Refinement	May	May
	Final Determination	May	May
Voting		**20-May-25**	**20-May-25**
	Issued for Authority Determination	**21-May-25**	**21-May-25**

6 STAKEHOLDER ENGAGEMENT

This proposal is being discussed through the REC Theft Issues Group (TIG).

7 PRIORITY STATUS AND URGENCY

PRIORITISATION MATRIX

Category	Significance / Resource impacts / Urgency	Further selection / breakdown	Score (0-3)	Weighting	Weighted Score
Impacts	Consumer Impact	Indirect	1	27	27
	Retail Markets Impact	Retail Risk(s)	1	17	17
	RECCo / REC Party / REC Service Provider Impact	Operational Effectiveness and Efficiencies	2	7	13
		Legal and Regulatory Compliance	2	14	28
Resource	Complexity / Effort / Duration		2	9	18
Strategic Alignment	Contribution to/ Alignment with the objectives of the REC		2	17	17
	Contribution to/ Alignment with RECCo's Forward Work Plan		2		17
Urgency *(The need to progress a change to meet a targeted date)*		Other Planned Activity	2	10	20
				Overall Priority Score (rounded)	157

Priority Status	HIGH
Change Proposal Type	STANDARD

The priority status for this Change Proposal is high based on a weighted prioritisation score of 157 and has been assessed as a Standard Change.

SOLUTION

8 SUMMARY OF ANALYSIS UNDERTAKEN

The theft of electricity and gas is a significant challenge for the energy industry, increasing costs to consumers and threatening public safety. Global losses are estimated at £96 billion per year. Research completed in 2022 by RECCo suggested that losses to theft in Great Britain were between 636 - 1,059 GWh of gas and 1,703 – 2,837 GWh of electricity per year. Adjusted to current prices, that same volume of Energy Theft would be worth £457 - £760 million.

While exact numbers are unknown, metering tampering in GB is thought to be widespread, with models predicting 801,560 cases, broken down as follows:

- 43,720 electricity theft instances in commercial buildings
- 641,520 electricity theft instances in residential buildings
- 1,980 gas theft instances in commercial buildings
- 114,340 gas theft instances in residential buildings.

That combined total of 801,560 predicted by the model would represent 1.46% of the c55m meter points. Breaking it down further, the model suggests that theft is more prevalent in electricity than gas, with the predicted 685,240 cases being 2.3% of the c.30m electricity meter points, while 116,630 cases would represent 0.46% of gas meter points.

The insurer Direct Line reports that nearly half of electricians and gas engineers have been asked to tamper with meters to slow them down, with a third having spotted evidence of tampering[1].. Energy Angels, an organisation working in the social housing sector estimates that over the course of 2023 alone, it came across around 9,300 cases of Energy Theft amongst the portfolios of social landlords for whom it provides services[2].

While smart meters provide a new tool against theft, the data from them is currently under-utilised and may fall short of traditional methods. For instance, prosecutions for electricity abstraction have dropped by 90% since obligations for biannual meter inspections were removed from supply licences in 2016 (See Appendix 4 of 'Outline Business Case: Proposal to create a new Energy Theft enforcement service in partnership with the City of London Police').

9 PROPOSED SOLUTION

This proposal seeks to establish a Referral Assessment Service (RAS) as a new REC service and embedding it within REC governance. The RAS would:

- Provide quality assurance for Energy Theft referrals by ensuring consistency, accuracy, and evidentiary completeness.

[1] See: https://www.directlinegroup.co.uk/en/news/brand-news/2023/06062023.html
[2] 'Unveiling the impact of energy theft: environmental impact and legal consequences' – Energy Angels

- Consolidate and analyse data to strengthen the quality of evidence for enforcement actions.
- Standardise and streamline the referral process, ensuring efficient and effective engagement with the ETU.

By fulfilling these roles, the RAS would maximise the operational value of the ETU, enhancing the efficiency, consistency, and success of Energy Theft-related enforcement actions. Additionally, the RAS would play a critical role in mitigating risks to Consumers by addressing safety hazards and financial burdens caused by Energy Theft, thereby strengthening trust and confidence in the energy market.

Key roles of the RAS would include:

- **Case Screening and Prioritisation**: The RAS would review incoming reports of suspected Energy Theft, assessing each case based on factors like severity, risk, and potential impact. This ensures the police unit's resources are focused on the most significant and high-priority cases.
- **Data Collection and Verification**: The team would work with front-line agents, suppliers, and network operators to collect, verify, and consolidate evidence and information for each case. This includes confirming that essential details, such as evidence of tampering, estimated value of stolen energy, and suspected criminal networks, are properly documented.
- **Standardising Referrals:** By standardising the data and evidence requirements, the RAS would improve the consistency and quality of case referrals, making it easier for the police team to quickly understand and act on cases. This also ensures that all referrals meet the threshold needed for potential prosecution.
- **Coordination with REC Parties:** The RAS would liaise with Energy Suppliers, Network Operators, and other REC Parties to gather additional insights, obtain permissions, and ensure alignment on cases. This coordinated approach strengthens the case and demonstrates industry-wide support for enforcement actions
- **Initial Investigation Support:** The RAS may conduct preliminary investigations, gathering supporting data, and creating profiles on repeat offenders or organised networks, saving the police team time in the early stages of case development.
- **Risk Assessment and Deterrence Planning:** The RAS can evaluate potential risks associated with each case, including the likelihood of organised crime involvement, and advise on public communication or deterrent strategies to maximise the impact of enforcement actions.
- **Case Handover to ETU:** Once a case is fully assessed and ready for police intervention, the RAS ensures a seamless handover by providing a comprehensive case file, complete with evidence, risk assessments, and suggested lines of inquiry. This allows the police team to initiate action more efficiently.
- **Feedback loop and continuous improvement:** The RAS would analyse outcomes from the ETU and possibly other police interventions, gathering feedback from the police

team(s) to refine and improve referral standards, evidence requirements, and risk assessments over time.

A high-level target operating model for the RAS can be found in Appendix 1 of this document.

Referrals to the ETU would first go through the RAS, a dedicated team responsible for reviewing and filtering cases from energy industry stakeholders. All referrals will need to include sufficient information, as per 'Referral information and evidentiary requirements'. Referrals will then be scored based on objective criteria, developed by RECCo with stakeholder input, known as the "Energy Theft Strategic Threat Assessment & RAS and ETU Case Acceptance Criteria." The ETU will guide the RAS to ensure evidence meets standards for prosecution by the Crown Prosecution Service or Procurator Fiscal Service. As a start-up function, the RAS will initially support ETU mobilisation and adapt to its evolving needs.

10 DRAFT LEGAL TEXT

The legal text changes to deliver the proposed solution to R0234 can be found here.

11 RISKS, ASSUMPTIONS, ISSUES AND DEPENDENCIES

RISKS	DESCRIPTION
Ineffective Prosecution	The effectiveness of the enforcement service hinges on successful prosecution of offenders. If the collaboration between REC Parties and the police fails to achieve successful prosecution where appropriate, the deterrent effect of the service may be compromised.
Lack of Consistency	Ensuring a nationally consistent, robust, and proportionate police and prosecutorial response is essential for combating Energy Theft uniformly across different Energy Suppliers and Network Parties. Inconsistencies in enforcement practices could undermine the effectiveness of the service.
Insufficient Deterrent Effect	While increased theft detection and prosecutions are expected to act as a visible deterrent, the effectiveness of this deterrence relies on effective communication and publicising of the enforcement service. If the messaging fails to convey the severity of consequences for Energy Theft, potential offenders may not perceive it as a significant risk, leading to continued illicit activities.
Volume of Quality Referrals	The enforcement service will rely on thorough information capture that meets evidential standards. Inadequate frontline investigation practices or insufficient evidence may result in fewer or lower-quality referrals, reducing the chances of successful prosecutions and deterrence.
Public Perception	Public perception will play a crucial role in shaping the effectiveness and acceptance of the enforcement service. If seen as solely driven by revenue protection or unfairly targeting vulnerable consumers, it risks media and

	public backlash. Managing this requires clear communication to ensure transparency and public alignment.
Limited Jurisdiction	The ability of the enforcement service to investigate cases nationally across multiple Energy Suppliers and Network Parties is critical for tackling organised criminal activity effectively. However, jurisdictional complexities and legal limitations may hinder the service's reach, potentially allowing Energy Theft operations to evade scrutiny and prosecution.
Inconsistent Cease and Desist Orders	The issuance of cease-and-desist orders by the enforcement service requires consistency and authority to be effective. If there are inconsistencies in the application of such orders or a lack of authority, offenders may perceive them as mere warnings without significant consequences, undermining the service's deterrent effect.

12 BUSINESS CASE ASSESSMENT

12.1 COSTS

The estimated cost of the RAS would be up to £320k per year, made up largely of staffing costs. It would be expected that RAS would initially be staffed by contractors on a minimum viable basis. This will then be scaled up as and when a more accurate picture of the volume of referrals is being made to it and the extent of work required on each, before being handed on to the ETU as appropriate.

12.2 BENEFITS

INTANGIBLE BENEFITS	BENEFITS DESCRIPTION
DETERRING AND REDUCING CRIME	Providing a visible, dedicated response to Energy Theft to discourage offenders.
ENHANCING SAFETY AND RELIABILITY	Minimising risks associated with tampered energy supplies, which can endanger public safety.
REDUCING FINANCIAL BURDEN ON CONSUMERS	Lowering the costs passed on to consumers as a result of stolen energy.
SUPPORTING INDUSTRY COLLABORATION	Creating a centralised and consistent enforcement pathway that involves all industry parties.
PROMOTING FAIR COMPETITION	Ensuring that Energy Suppliers impacted by Energy Theft are supported in safeguarding their services and resources.

12.3 COST BENEFIT ANALYSIS

A cost benefit analysis was conducted by RECCo in the Outline Business Case.

The Theft Estimation Methodology (TEM) modelling estimated that losses of between 636 - 1,059 GWh of gas and 1,703 – 2,837 GWh of electricity, which at Oct-Dec 2022 would give a cost of theft between £457 - £760 million. For the purposes of the cost benefit analysis, the mid-range figure of £609m/year was used.

A Cost-Benefit Ratio (CBR) is a metric that compares the benefits of a project or initiative to its costs. A ratio greater than 1 indicates that benefits exceed costs, suggesting the project is worthwhile, while a ratio less than 1 suggests that costs outweigh the benefits. The greater the ratio, the greater the value for money. For the purposes of the CBR, it was assumed that the police partnership would have a consistent effect in reducing Energy Theft across the three-year period for which the initial agreement to fund ETU. In order to achieve a CBR of greater than 1, the partnership would need to reduce theft by just 0.33% over that period.

While it cannot be reasonably predicted at this time what impact the police partnership will have, reducing existing levels of theft by just 1% over the three-year period would produce a net benefit to the industry of £12.3m, with a positive CBR of 3.05.

13 CASE FOR CHANGE

AUTHORITY DETERMINATION

The Code Manager believes that R0234 better facilitates the following REC Objectives:

OBJECTIVE	IMPACT TYPE	DESCRIPTION AND JUSTIFICATION
To ensure the REC operates and evolves in a manner that facilitates the achievement of its mission statement[3]	Positive	The Code Manager considers that this Change Proposal better facilitates this REC objective as it provides innovation the Energy Theft space. Successful prosecution will provide a response to Energy Theft to discourage offenders.
To ensure customers interests and data is protected in the operation of the REC	Positive	The Code Manager considers that this Change Proposal ensures Consumer interests are protected as the cost of Energy Theft is currently borne by Consumers. Successful prosecutions that lead to deterring and reduction in Energy Theft crime, could lead to the lowering the costs passed on to customers as a result of stolen energy; as well as minimising risks associated with tampered energy supplies.
To drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication	Positive	The Code Manager considers that this Change Proposal better facilitates this REC objective as it provides continuous improvements to the industry's commitment to investigate and prevent Energy Theft.

[3] REC Mission Statement

infrastructures it governs		

14 LINKS

CHANGE PROPOSAL	Link
LEGAL DRAFTING	Link
REFERRAL INFORMATION AND EVIDENTIARY REQUIREMENTS	Link
ENERGY THEFT STRATEGIC THREAT ASSESSMENT & RAS AND ETU CASE ACCEPTANCE CRITERIA	Link
ENERGY THEFT UNIT: BUSINESS CASE NOVEMBER 2024	Link

15 GLOSSARY

TERM	DEFINITION
Confirmed Energy Theft	means that the holder of an energy licence (or person acting on their behalf) reasonably determines that, on the balance of probabilities and taking into account all of the evidence then available, one or more instances of energy theft has occurred. such a determination may not be made unless sufficient evidence is held to substantiate the occurrence of energy theft, including (as a minimum): (a) an indication of theft via a desktop review of consumption levels; and (b) a report of a site visit where access was successful; and (c) photographic (or sketch) evidence of the theft, including illegal connection/bypass or meter tampering.
Energy Supplier	means a person which is either or both an Electricity Supplier and/or a Gas Supplier.
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 Tip-Off Service (ETTOS)	is described in Annex 2 of the Energy Theft Reduction Schedule.
Theft Detection Incentive Scheme (TDIS)	is described in Annex 3 of the Energy Theft Reduction Schedule.
Theft Target Methodology (TTM)	is a methodology for determining Theft Targets, established and maintained by the Code Manager under Paragraph 7 the Energy Theft Reduction Schedule.
Theft Estimation Methodology	Is a methodology for determining a robust estimate of the aggregate amount of Energy Theft taking place in Great Britain, established and maintained by the REC Board under Paragraph 6 of the Energy Theft Reduction Schedule.

16 APPENDICES

16.1 APPENDIX 1 – REFFERAL ASSESSMENT SERVICE OPERATING MODEL

Referral Mechanism	
Accept Energy Theft Referrals via a form/file	Cases that meet the stated criteria can be referred by REC Parties and potentially third parties via a defined form or file sent via a SFTP or dedicated secure messaging facility.
Accept Energy Theft referrals via a new Energy Theft Portal	A multipurpose Energy Theft Portal may be a viable mechanism to transfer referral information.
RAS able to access Energy Theft data portal and the Electricity and Gas Enquiry Services (ESS and GES)	If the RAS is granted access to relevant EES and GES data, as well as any future multipurpose Energy Theft data portal, it may provide insights into whether the referred case is part of a pattern rather than being an isolated incident
Accept referrals to disrupt Energy Theft	A separate streamlined process and form/file to refer online threats such as social media post/groups and websites spreading information on how to commit Energy Theft and advertising of services that are devised to facilitate Energy Theft.
Urgent referral process	There will be a process that enables cases that are urgent to be discussed and initially referred over the telephone, this may include where evidence is likely to be lost without immediate police action or imminent risk to public safety.

TDIS submissions	All Energy Theft investigations and outcomes should continue to be submitted to REC by the Energy Supplier as per Schedule 7 independently of any referral made to the RAS.

Referral Information and Evidentiary Requirements	
The information required for the referral is defined.	The format of the referral form/file is designed to enable effective capturing of the required information and highlight gaps where additional information may need further clarification as part of any future investigation or as part of data clarification by the RAS.
The evidence required to be held by the referring party is defined.	The referral should include details on what evidence is available, and the RAS will determine if there is sufficient evidence to proceed or provide feedback on what additional information / evidence may be required.

Referral Processing and Assessment	
Referrals reviewed and assessed	Referrals assessed against a scoring matrix to be developed based on the information and evidence stated in the referral and key acceptance criteria.
Unable to determine if referral meets requirements or information missing	The case assessor may contact the referring party and clarify information or request additional information if available or establish if critical information is unavailable.
Referral meets requirements and is accepted	The case will be referred onto the ETU who may accept the case or following their review and assessment reject the case and send back to the RAS with reason for rejection and any relevant feedback.
Referral does not meet requirements and rejected	The referral may be rejected by the RAS at this stage or have been referred to the ETU and then rejected. It will be referred back to the reporting party with a reason for rejection and relevant feedback.
Referral appeal process	If a referring party believe that the rejection is incorrect there will be an appeal process to escalate and reassess the referral.

Organisational Structure

Case Assessors	We anticipate that the initial RAS set-up will be undertaken by existing RECCo staff supported by Theft SMEs, legal and technical advisors. Staff or contractors will be recruited into the RAS, commensurate with the volume of referrals, scaling up to a team of around 3 – 5 FTE as the service matures. These roles will be responsible for reviewing and assessing referred cases, liaising with the referring party and the ETU to ensure complete and accurate information and provide feedback when required. They will also record each referral and outcome on a dedicated database or referral management system. They will also facilitate process development and improvement.

Technology and Systems	
Referral Management System	A robust, secure and compliant Referral Management System (RMS) will be required to track and manage referrals from intake to acceptance/rejection and the outcome of any further investigation by the ETU. Subject to the level of security required, this could be based around an off-the-shelf workflow management system. It should also be able to manage legal documentation and compliance checks and safety risk information. This may be a standalone system or be part of a wider Energy Theft data portal.
Compatibility and integration capabilities	The RMS should be suitable for integration either from the outset or as the service develops into other systems and platforms such as any future Energy Theft Data Portal.
Data Analytics	Data and analytical techniques should be utilised to monitor performance, identify trends and support decision making with data driven insights.

Performance Management and Reporting	
Identify Key Performance Indicators (KPIs)	KPIs should be identified to track metrics such as: • Number of referrals received. • Number of referrals accepted by RAS. • Number of referrals rejected by RAS. • Number of referrals accepted by RAS but rejected by the ETU. • Number of successful/unsuccessful appeals • Average referral processing time • Longest referral processing time • REC Parties satisfaction score in annual survey

Reporting	Development of regular reporting mechanisms to track performance against KPIs to inform management and stakeholders.
Performance Improvement Plan	Where KPIs are not being met a performance improvement plan should be established and implemented.

Stakeholder Engagement	
Stakeholder Identification	Identify key stakeholders for the RAS, including referral sources, REC Parties, Police, regulatory bodies as well as points of contact for queries on cases referred.
Communication Plan	Develop a communication plan to keep stakeholders informed and engaged in the service as well as keeping referring parties informed and engaged throughout the referral process.
Regular Meetings	Hold regular meetings with REC Parties, Service providers and stakeholder organisations to provide updates on the service and to discuss any concerns.
Continuous Improvement	
Training & Development	Initial and ongoing comprehensive training programs for staff to ensure they are equipped with the necessary skills and knowledge, this includes RAS, RECCo and REC Parties.
Continuous Learning	There should be a culture of continuous learning, encouraging staff to stay updated on best practices and emerging trends, this may include workshops to facilitate this.
Feedback Loops	Establish mechanisms to collect feedback from referring parties, the ETU and Stakeholders to identify areas for improvement. This may include quarterly and annual feedback surveys as well as case reviews.
Process Optimisation	Regularly review and optimise referral and assessment processes to enhance efficiency and effectiveness.

Compliance & Risk Management	
Regulatory Compliance	Ensure the RAS complies with relevant laws and regulations, including data protection and confidentiality requirements.
Risk Management	Risk management strategies should be implemented to identify, assess and mitigate potential risks associated with the referral process.
REC Parties obligations	REC Parties should continue to attend site to address any safety concerns as per their existing obligations regardless of any referral.

Risk Mitigation Workshops	Feed into the development of industry wide safety scoring and reporting linked to Energy Theft cases and premises where staff may be at risk.