Creation of a Theft Detection and Resolution Body (TDRB) - Issue 10176

Draft Version 0.1 - For Review, discussion and development

Date 22/10/24

Purpose of this Document

This document provides a summary of the business rules to support the introduction of an independent Theft Detection and Resolution Body (TDRB). The TDRB would be responsible for fulfilling the Supplier's obligation to investigate suspected theft and determine the quantity of gas and/or electricity that has been stolen to correct energy settlement.

Background

Under the Gas Supplier Licence and Electricity Supplier Licence condition (12.A), UK energy suppliers have an obligation to detect, prevent and investigate the illegal abstraction of energy from Energy Networks and ensure the accuracy of Energy Settlement. Currently stolen electricity is accounted for via the Group Correction Factor and gas is attributed to Unidentified Gas (UIG) which is an unnecessary cost that is smeared back to suppliers and in turn end consumers. A Theft Detection and Incentive scheme (TDIS) was introduced in 2021/2022 whereby suppliers were incentivised to find theft occurrences and were financially rewarded according to how many instances were detected within their customer portfolio. There is currently no standard approach to how suppliers carry out investigations and how the theft is positively identified, and the case concluded.

BR01 - REC would be responsible for procuring the TDRB and running the service - The TDRB would be responsible for fulfilling the Supplier's obligation to investigate suspected theft and determine the quantity of gas and/or electricity that has been stolen to correct energy settlement. Procurement of the service could be on a National or Regional basis. Regional service providers would enable benchmarking and the evolution of best practice.

BR02 - The TDRB would be available to all licensed Energy Suppliers on an equal, fair and transparent basis. - The TDRB would be obliged to offer the same service to all suppliers and not differentiate or offer different levels of bespoke services. The Service would initially only be available to energy suppliers but consideration could be given in future as to whether the service could become available to Energy Networks.

Opt-in / Opt-out

BR03 - All Energy Suppliers would initially be "Opted-in' to the Service. Suppliers could "Opt-out' where they do not wish to use the TDRB and can demonstrate that they (or their agents) operate a service which operates to at least the same standards as the TDRB.

BR04 - Suppliers would either be 'Opted in' or 'Opted-out' for all of their Energy Theft Investigations.

All suppliers will be 'opted-in' to the service by default. Suppliers could 'opt-out' provided they could demonstrate that their in-house or contracted-out service operated to at least the same standards as the TDRB. The option to 'opt-in' or 'opt-out' would be binary with a supplier choosing to use the TDRB for all its investigations or none at all. Suppliers could however opt-in at any stage. "Opt-out" suppliers will need to renew their status every [3] years.

The TDRB Service

BR05 - The TDRB carries out Theft Investigations on behalf of the Supplier as their agent.

BR06 - 'Opted-in' suppliers would identify potential theft instances and send a Lead Notice to the TDRB.

BR07 - The TDRB initially carries out a Desk Top Exercise followed by a Full Theft Investigation where required.

BR08 - The TDRB Theft Investigation concludes with the TDRB producing a Theft Investigation Report.

Suppliers that have opted-in to the service would identify suspected instances of theft within their customer portfolio. This could be for reasons such as (but not limited to) inconsistencies with metering or meter read history, consumption anomalies, credit checks, tip offs, advice from meter readers, MAMs, site visit agents or networks. Suppliers would then pass a 'Lead Notice' to the TDRB who would then assume absolute control of

all aspects of the investigation and the determination of the outcome of the ‘Theft Case’. ETTOS notices would be sent straight to the TDRB with a copy also going to the Supplier.

Upon receipt of a ‘Lead Notice’, the TDRB would initially undertake a Desk Top Exercise to validate whether there was justification for further investigation. At this stage the TDRB may conclude that there is a non-theft explanation for the suppliers initial concerns and reject the Lead Notice via a ‘Lead Notice Rejection’. This would then terminate the case. There could be a mechanism in place for a certain number/percentage of a supplier portfolio where desk top exercises would be without charge then chargeable on a transactional basis above that allocation.

Should the initial Desk Top Exercise indicate a suspected occurrence of theft the TDRB would proceed to a ’Full Theft Investigation’. There would be some flexibility as to the approach adopted by the TDRB with a number of options available which would include but not be limited to:

- Attempt to read the meter
- Lettered communication
- Liaison with MAM, Site Visit Agents and Networks
- Deployment of locksmiths / warrants of entry
- Involvement of Police / production of evidence for prosecution
- Meter removal / isolation of supply
- Calculation of ‘Estimated Quantity of Stolen Energy’

The Full Theft Investigation would conclude with a Full Theft Investigation Report which would be provided back to the supplier. This would meet the ‘reasonable endeavours’ obligation of any related modification to move to investigation based incentives.

BR09 - The Supplier would be responsible for correcting energy settlement.

The Full Theft Investigation Report provided to the Supplier by the TDRB would include an estimation of the amount of energy that had been stolen. The supplier would use this evidence and then be responsible for correcting their energy settlement position for that particular site. For the avoidance of doubt the correction of Energy Settlement would not be undertaken by the TDRB.

BR10 - The Supplier would be responsible for the operation of the TRAS scheme including TRAS reporting.

The supplier would continue to operate the TRAS scheme and would use the outcomes of the Theft Investigations that had been provided to them by the TDRB

BR11 - Monitoring of the Standards of the TDRB and 'Opted-out' suppliers would be overseen by PAB

'Opted-out' Suppliers would self-certify ('Self-Certification') that their service met the required standards and could be verified via a right to Audit.

The standards met by TDRB and any opted-out service would be overseen by the Performance Assurance Board who would have audit rights over parties carrying out Theft Detection activities.

Funding and Charging

BR12 - The cost associated with setting up the TDRB and de-minimus running costs would be met through an marginal uplift to annual REC charges on a Meterpoint basis.

BR12 - Different levels of transactional charges would apply to each investigation case undertaken by the TDRB.

Procurement of the TDRB service would be through RECCo and there would be an obligation on them to provide the service. It is proposed that there are two distinct elements to the funding of the TDRB. The initial set up and ongoing operational costs would be funded through an uplift to annual REC charges on a Meterpoint basis. This would fund the costs associated with setting up the service and OPEX costs associated with a de-minimus provision of the TDRB service. This would apply to all suppliers, irrespective of whether they are opted-in or opted out. Opted-out suppliers would be contributing on the basis that the TDRB would be available to them to use at any stage.

Transactional charges would then apply on a case by case basis according to the various stages of the TDRB investigation. For example, this could be for the following levels of investigation undertaken:

Desk Top exercise

Full Theft Investigation Tier 1 (investigations not requiring a site visit)

Full Theft investigation Tier 2 (investigations requiring site visit and use of agents)

Full Theft investigation Tier 3 (investigations requiring warrant, forced entry, locksmiths and police)

Production of the Theft Investigation Report

Summary benefits of an independent TDRB

Standardised Approach - The investigation process would be standardised across suppliers giving a more consistent approach.

Fairer and enables investigation based TDIS - The TDRB would enable the industry to implement the proposals to have payments qualified for investigations (not actual instances) under the TDIS. This would be fairer for suppliers that take positive steps to prevent sites where theft is taking place from being registered into their portfolio, for example, through credit vetting or exclusion of supply to certain market sectors. (I&C only where there is no obligation to supply).

Enables Trend Analysis - The TDRB would be able to undertake market analysis of trends and risks at industry level which is not currently visible. And data from multiple suppliers can be aggregated in one place.

Impartiality - An independent third party approach would provide an impartial opinion on theft investigations

Transparency - The TDRB could allow for standardisation of the service (particularly where suppliers use agents) and better awareness of the DN obligation to pay an element of investigation costs which could be moved from an obligation on GDNs to compensate Gas Shipper costs to a dual-fuel Gas and Electricity supplier compensation scheme.

Reasonable Endeavours - the TDRB would fulfil the supplier licence obligation for reasonable endeavours to investigate Theft.

Glossary of Terms

TDRB - The Theft Detection and Resolution Body

TDIS - Theft Detection and Incentive Scheme

Lead Notice - The instruction that the ‘Opted-in’ suppliers passes to the TDRB.

Theft Case - The investigation that the TDRB opens upon receipt of the Lead Notice.

Opted-in - Suppliers are Opted-in where they have chosen to use the TDRB for their Theft Investigations

Opted-out - Suppliers that operate their own theft investigations are classed as ‘Opted-out’.

Desk Top Exercise - The initial investigation the TDRB undertakes using the evidence provided in the lead notice.

Lead Notice Rejection - This is issued where the desk top exercise concludes that there is not theft taking place

Full Theft Investigation - This is carried out following the desk top exercise if the TDRB has evidence or continued suspicion that theft is taking place.

Full Theft Investigation Report - The report produced by the TDRB following a Full Theft Investigation.

Estimated Quantity of Stolen Energy - The amount of energy deemed by the TDRB to have been stolen. This is included as part of the Full Theft Investigation Report.

Self-Certification - A declaration from the ‘Opted-out’ supplier that their processes are of the same or higher standard than those operated by the TDRB.