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THEFT INCENTIVE SCHEME – ADJUSTMENT TO DOMESTIC / NON-DOMESTIC PORTFOLIO DATA

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1.1 BACKGROUND

It has been identified that there may be data quality issues with the Domestic Premises Indicator (DPI) which is used, amongst other things, to split supplier portfolios for the purposes of determining theft targets under the Theft Detection Incentive Scheme (TDIS). In particular this may mean that some domestic customers are being classified as non-domestic and hence causing targets to be allocated inconsistent with suppliers actual which may act as a barrier to achieving the allocated target.

Whilst the long-term solution to this issue is to address the underlying data quality issue, there are barriers to achieving this in the short term and hence a derogation has been approved by the PAB to allow a correction to data for the current and forthcoming TDIS Reporting Years.

A communication was issued last week to all Contract Managers of suppliers who may be affected by this (i.e. suppliers with a Domestic and Non-Domestic licence with any non-domestic meter points included in their portfolio based on the DPI data). A copy of this communication is included below, with further details on the context and action that may be **required.**

1.2 CONTEXT

As per REC Schedule 7 (Theft Reduction) Annex 3 Paragraph 3.5, Theft Targets are required to be calculated using Market Share data using portfolio data that is obtained from CSS, and this requirement is incorporated into the Theft Target Methodology (both for the 2023/24 Reporting Year and the draft TTM for the 2024/25 Reporting Year). This includes the use of the Domestic Premises Indicator ("DPI", data item DI90016) to allocate market share between the Domestic and Non-Domestic incentive pots. The DPI was created as part of the Faster Switching programme and the initial values set through that programme, with a request to suppliers to perform data cleanse activity under the programme scope. This included a specific adjustment made for non-domestic only supplier MPID to set all MPxNs to a non-domestic status.

It has come to our attention that there remain some data quality issues with the DPI, in particular arising from the legacy definition of the MPxN designation, that may in some circumstances cause premises that should be classified as domestic per the current data specification to be recorded as non-domestic. Whilst suppliers are obliged under REC Schedule 23, paragraph 16.1 to update the DPI where they become aware it is incorrect, currently the visibility of this data through the enquiry services is limited, hindering the ability of suppliers to drive data cleanse activities.

We note that the impact of this is not solely on the theft scheme, however that is the focus of this communication.

1.3 IMPACT

For suppliers with a Domestic/Non-Domestic Supply licence where the DPI is incorrect for a significant number of MPxNs in the portfolio, the theft targets allocated may not be reflective of the actual portfolio supplied and hence may act as a barrier to achieving the allocated target. This may be

most pronounced for suppliers that operate exclusively in the domestic market. Note that this issue does not affect non-domestic only suppliers as under the Theft Schedule and TTM, only non-domestic targets are allocated following changes introduced under REC Change R0091.

1.4 ACTION AVAILABLE

Whilst the long-term solution to this issue is to address the underlying data quality issues as noted above, there are barriers to achieving this in the short term.

Following the January 2024 PAB meeting, a derogation has therefore been approved to allow suppliers to notify the Code Manager where the CSS data based on DPI substantially misrepresent the true portfolio position based on the definitions of domestic/non-domestic premises contained in the REC and per the associated supply licence conditions. In such cases, an adjustment will be made by the Code Manager to reallocate meters to the domestic segment for both the finalisation of the 2023/24 Reporting Year and Target Setting for the 2024/25 Reporting Year when performing the relevant calculations.

You have been identified as a supplier with a Domestic/Non-Domestic supply licence and with some meters reported as non-domestic based on the DPI. We have made the MPxN population numbers for both Reporting Years, as reported in the CSS data, available for your organisation(s) on the 'Theft Targets' tab of the Performance Assurance Dashboard for your review. Please use the 'Scheme Year' filter available to view both the 2023/24 and 2024/25 population numbers.

This issue may be in part driven by export meters, we are in the process of obtaining volume of export meters by MPID for the relevant reporting dates and will share this with suppliers as soon as possible to help you determine if adjustments are required. Note that if you have yet the DPI as domestic for such meters a correction would not be required so we cannot automatically apply an adjustment however we are seeking to make information available that may be helpful, particularly given the short timeframes for this exercise.

If you believe that this domestic/non-domestic split does not reflect the actual position of your portfolio please complete and return the attached letter, including the director's assertion, to performanceassurance@recmanager.co.uk by 16 February (we appreciate this is a short timescale, however this date required to allow 2024/25 Targets to be set prior to 1 March as per REC requirements)**.** Please note that the Code Manager may require provision of additional supporting information and will directly contact you following your submission if required (this action will not need to be completed by 16 February).

If you do not intend to submit an adjustment form, we should be grateful if you would confirm this by emailing performanceassurance@recmanager.co.uk.

If you have any questions on this, please speak with your OAM or raise a ticket via the REC Service Desk.