MHHS and Settlement of Identified Energy Theft

As part of the Market-wide Half Hourly Settlement programme (MHHS) the current settlement window of 14 months to enter identified electricity theft will reduce to 4 months.

The current optional trading dispute process which can be used to enter kWh identified over 14 months is being amended to 4 windows of 90 days with a materiality threshold of £3k for the first 90 days moving incrementally to £90k for the last window to allow a further 12 months to be entered into settlement if:

- A Supplier chooses to raise a trading dispute and;
- The value exceeds the materiality threshold.

Any kWh identified over 4 months prior to being entered into settlement or not entered via a trading dispute (by choice or due to materiality threshold) will be settled within non-technical losses.

Elexon has requested a view from RECCo on any concerns about the impact of the new settlement arrangement on Energy Theft detection and what changes RECCo might want to see (if any) to address this.

Potential Options:

1. Do nothing – 4 month window and updated optional trading dispute process comes in December 2026 reducing the proportion of identified electricity theft entered into settlement and increasing the amount flowing through to non-technical losses.

2. Create a theft specific trading dispute process for Suppliers to enter theft adjustments over 4 months up to 12 months with lower materiality thresholds – the rest flows through to non-technical losses.

3. Create a theft specific trading dispute/settlement process to allow REC/another body to collate identified electricity theft kWh and enter these into settlement on behalf of industry (with 4 months/12 months/materiality limits). Similar to UNC Mod 0734S Reporting of Valid Confirmed Theft of Gas Into Central Systems and Reporting Suspected Theft to Suppliers.

4. A BSC Mod/ REC CP raised outside of the MHHS programme to remove the requirement to enter identified theft into settlement – it all flows through to non-technical losses. Removes disincentive to identify theft, may fail to incentivise as a Supplier will only ever pay market share of theft losses.

5. As option 4 and BSC Mod/REC CP raised outside of the MHHS programme to change how non-technical losses are shared e.g. a mechanism to incentivise theft detection by reducing settlement costs based on theft identified.

Considerations:

- If options 4 and/or 5 are being considered longer term is option 1 the current preference so time/money is not spent building a process that will not be enduring?
- If changes are made to electricity settlement processes, should gas settlement also be changed to align as far as reasonably practicable.

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