RETAIL ENERGY CODE

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THEFT ISSUES GROUP
MEETING MINUTES

MEETING	**3**
DATE	**26 June 2024, 09:30**
LOCATION	**Microsoft Teams**

Attendee	Representing	Initials
Anne Jackson	Chair	AJ
Jane Edge	British Gas	JE
Alasdair Jenkins	ELEXON	AJ
Cara Wardle	ELEXON	CW
Matt Cogram	ELEXON	MC
Gareth Evans	ICoSS	GE
Andrew Waghorn	REC Code Manager	AW
Elise Handy	REC Code Manager	EH
Rosalind Timperley	REC Code Manager	RT
Lynne Fallon	RECCo	LF
Paul Sutherland	RECCo	PS
Rebecca Lowe	RECCo	RL
Aaron Chard	Seeka	AC
David Mitchell	SGN	DM
Lisa Warnock	SGN	LW
Jordan Hills	SSE	JH
Paul Hart	UKPN	PH

Dave Addison	Xoserve	DA
Bradley Mercer	Secretary	BM

1 WELCOME, INTRODUCTION AND CONFIRMATION OF AGENDA

The Chair welcomed attendees to the third meeting of the Theft Issues Group (TIG). The Chair advised that no apologies had been received ahead of the meeting. The Chair welcomed BM to the meeting as the new Secretary.

2 APPROVAL OF THE PREVIOUS MINUTES

The Chair invited attendees to provide comments on the draft minutes of the meeting held on 29 May 2024. There were no questions or comments, and the minutes were approved as an accurate reflection of the meeting.

3 TERMS OF REFERENCE

The Chair provided attendees with an overview of the updates made to the Terms of Reference following feedback at the previous meeting. Attendees had no questions or comments and the Terms of Reference for the group were unanimously approved.

4 I0173 – IMPROVEMENTS TO THE THEFT DETECTION INCENTIVE SCHEME

AW provided attendees with an overview of the Theft Detection Incentive Scheme (TDIS). AW advised that Payment for all investigations had been selected as the preferred option and provided a summary of the option including the advantages and disadvantages. AW provided attendees with a summary of the key assumptions:

- Scheme remains a net-zero scheme each year (no carry over of debts/credits between periods.
- Relative performance separately measured for each of desktop investigations, site visits and confirmed thefts.
- Suppliers continue to report all investigations, with changes in reporting to capture level of investigation performed.
- Confirmed thefts do not also attract payment for investigation.

AW provided an overview of the required changes and the routes to achieve the changes. AW confirmed that the majority of changes would be to the Interpretations Schedule, Theft Schedule and to the Performance Assurance Reporting Catalogue (PARC). Attendees were advised that site visit and desktop multipliers would be applied to the existing debit/credits calculation set out in the Theft Schedule.

GE asked how much Suppliers paid out per theft with the current calculations. AW advised that the figure varied but agreed to confirm the average from the previous year. The Chair asked for confirmation on the maximum risk for Suppliers, AW advised that this would be the market share times the total value of the pot. AW advised that Suppliers would be able to calculate their worst-case scenario and the cost of doing nothing. AW presented example scenarios using dummy data to provide further explanation of the calculations.

LF advised that this would give Suppliers a better view of the time, effort and expertise which was being elapsed by other Suppliers in the industry and would help determine what was required as a benchmark for an investigation. RT asked if there would be different thresholds between different Suppliers for desktop investigations depending on the information they had available to them. RT advised that this could lead to Suppliers being paid depending on the approach they used. RT suggested that it would need to be well defined what constituted a desktop investigation. AW advised that the investigation conversion modelling would not form part of the final calculation that would happen in the real world.

GE and PH expressed concerns around the process highlighting that the calculations could result in Suppliers losing out on money due to finding more thefts than their target and that Suppliers may be at risk of not getting back the money they staked. AW advised that the cost would need to be socialised amongst the group. GE advised that although he did not like the proposed process, it was an improvement on the current process.

AW provided attendees with an overview of the debits/credits alternative calculation. AW advised that the payment out for site visits and desktop investigations would be a set amount. AW advised that this would make it easier for Suppliers to determine the cost of the action however, there would need to be a way to socialise the cost. AW highlighted that the options were market share or share of underperformance against target. AW advised that the main disadvantage of this calculation method would be that parties could not predict the worst-case scenario at the start of the year.

JS advised that desktop searches may not drive the correct behaviour and that Suppliers could look to gain through the process. JS provided an example of where Suppliers may use the process to gain money and was concerned that the process may not drive the correct behaviour. GE advised that in principle this process could work. GE advised that the solution would need to be robust to encourage the correct behaviour advising that a desktop investigation could identify a damaged meter rather than theft.

RL asked how easy it would be to re-run the calculation with a different multiplier. AW confirmed that the Code Manager could re-run the data to see the debit/credit for different multipliers for desktop investigations. RL advised that it would be useful to see examples of different multipliers and conversion rates through the solution development.

The Chair asked for feedback on the proposed solution and asked whether it was worth progressing with. NF advised that it would be good to understand how the thefts are reported. GE advised that the solution would need to define what a desktop investigation entailed to ensure that parties completed adequate levels of work and confirmed that he believed that the solution was preferable to the current scheme and wished to continue with the development.

JE advised that she supported the continued development of the solution proposed. JE highlighted that the dependency points would be the definitions of each of the activities and what the performance assurance of the process would look like.

Attendees asked what the key milestones would be in order to get the solution implemented by April 2025. EH confirmed that at the moment it was an issue and a defined solution would need to be provided by September 2024 meet the desired deadline.

5 MANDATORY METER CHECKS/INSPECTIONS

LF provided attendees with an overview of the proposed points of an inspection regime for Suppliers and requested feedback from the group. LF advised that she had developed a number of starting points, trigger or redemption points, and control points. LF advised that this would come as a cost to Suppliers and expected to receive resistance.

Attendees noted the discussion points for development. RT advised that court warrants could be needed to gain access to a property and asked if this would form part of the process. LF advised that ultimately the inspection regime would need to include the ability to make an application for a warrant to inspect an installation.

JE agreed with LF's point on Supplier resistance citing that the Smart Meter vision was that meters would not require inspection as the asset would communicate. JE added that from a Regulator's perspective this was the correct route to resolve the issue. JE advised that something around customer safety should be added in to the process similar to the Prepayment process. LF advised that the Supplier would receive the alerts from Smart Meters however, they would need to act on them. LF advised that a number of alerts go unactioned at present. LF agreed with the Prepayment point advising that PPM could be tampered with for a vast number of reasons that the Supplier could address rather than refitting a new meter. LF advised that there also could be situations where a meter has gone off supply due to a vulnerability rather than theft.

PH advised that the proposal would attack non-engaged Suppliers on two fronts and advised that it was a great idea to boost engagement. The Chair advised that this would not need to be taken forward for the September 2024 deadline and asked if the group supported the development of the safety inspection regime. Attendees supported the further development of the scheme. GE asked what the trigger for a safety inspection would be. LF advised that this was to be determined and there was a number of options to be investigated.

The Chair advised that the Meter Inspection regime licence requirement had been removed and highlighted that a reporting requirement had been for Suppliers when they were at the meter point on site. The Chair asked if Suppliers were still reporting against this. LF advised that she was not aware that there was any reporting, and that risk-based reporting was in place following the removal of the license condition. LF advised that Ofgem should be able to provide confirmation on the number or risk-based reporting that takes place each year.

The Chair confirmed that development of the inspection regime for Suppliers would continue.

6 REC THEFT ISSUES RAISED

6.1 I0175 – INTRODUCING A REASONABLE ENDEAVOURS SCHEME WITHIN THE REC

The Chair advised that the group had been considering whether the Reasonable Endeavours Scheme (RED) could be used in electricity and potentially under the REC. DA advised that Xoserve administers the RED on behalf of Gas Distribution Networks and highlighted that the process supports Supplier recovering costs following a Theft of Gas Investigation where they have been unable to recover them. DA advised that there were seven Allowance types which a Supplier could claim against (via their Shipper). In certain circumstances they may claim against more than one for a single theft case.

DA provided an overview of how parties could qualify for the scheme and the allowances within the scheme. DA advised that there were a number of validation checks and that there was a process for Xoserve to reject the claim. The Chair asked if parties were using the scheme currently. DA confirmed that activity on the scheme at the moment was low. DA confirmed that utilisation of the scheme, and that since Covid, the scheme had been largely inactive. The group discussed the reasons why the scheme was not being utilised and Suppliers agreed to take an action to identify why they were not using the scheme.

TIG_24_0626_01: Suppliers to gain feedback on the use of the Reasonable Endeavours Scheme from their respective organisations.

JE advised that her business had been using the scheme however, a system change at Xoserve for reporting theft had made it more difficult for Suppliers to submit claims.

6.2 I0174 – MANDATING ETTOS FOLLOW UP

LF provided an overview of the document which had been circulated prior to the meeting. LF asked attendees to review the document and provide any feedback and comments to LF following the meeting.

TIG_24_0626_02: Attendees to review *Theft Investigations Guidance Draft_26062024* and feedback to LF in advance of the July meeting for further discussion.

6.3 I0176 – CREATION OF AN ENERGY THEFT RESOLUTION BODY

The Chair advised that GE had raised the suggestion and it had been accepted into the formal issues process by the Code Manager. The Chair advised that this was being considered as a longer-term aspiration.

6.4 I0XXX – SCHEDULE 8 REVIEW AND BEST PRACTICE GUIDANCE DEVELOPMENT

The Chair advised that a new issue had been raised. The Chair advised that this would form an item on the agenda going forward.

Post meeting note: This Change Issue has been allocated an Issue number I0187 – Schedule 8 Review and Best Practice Guidance Development.

7 ANY OTHER BUSINESS

The Chair invited attendees to provide items of AOB:

7.1 POLLS

PS suggested that polls could be used during the meeting to allow Members to express their support for items. The Chair agreed to consider how this could be administered.

7.2 MEETING DURATION

The Chair advised that the next two meetings may be longer in length in order to complete the work required ahead of the September 2024 deadline for I0173 – Improvements to the Theft Detection Incentive Scheme. Attendees confirmed that they would be able to attend longer meetings.