RETAIL ENERGY CODE

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THEFT ISSUES GROUP
DRAFT MEETING MINUTES

MEETING	**RECTIG_24_0731**
DATE	**31 July 2024, 09:30**
LOCATION	**Microsoft Teams**

Attendee	Representing	Initials
Andy Knowles	Alternate 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

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Dave Addison	Xoserve	DA
Bradley Mercer	Secretary	BM

1 WELCOME, INTRODUCTION AND CONFIRMATION OF AGENDA

The Chair welcomed attendees to the fourth meeting of the Theft Issues Group (TIG). The Chair advised that apologies had been received from Anne Jackson (Chair), Andrew Waghorn (REC Code Manager) and Rebecca Lowe (RECCo).

2 APPROVAL OF THE PREVIOUS MINUTES

The Chair invited attendees to provide comments on the draft minutes of the meeting held on 26 June 2024. EH advised that minor comments on the attendees list had been received from LF in advance of the meeting. There were no further comments,and the minutes were approved as an accurate reflection of the meeting subject to the noted amendments.

3 DESKTOP AND SITE VISIT DEFINITIONS FOR THEFT INVESTIGATIONS

LF informed Members that the definitions had been shared prior to the meeting. LF advised that it was important to have a clear baselined definition for a desktop audit and a site audit for the Theft Detection Incentive Scheme (TDIS) Change Proposal. LF added that the definitions would also clarify the ETTOS reporting requirements. Members were advised that a change to Schedule 1 would be raised to include the new definitions once approved by the group.

CP asked if the definition would be feeding into what would come as a reporting template in the future. LF advised that the definitions would help to provide clarity on when an investigation started.

JS asked that if the definition was implemented and the reporting was created, would there need to be a new category added to the dropdown for theft investigations closed at desktop investigation. LF advised that changes would be required to the Performance Assurance Reporting Catalogue (PARC) as a result of the TDIS changes and this could be one of them.

LW advised that through the investigation, Suppliers would need to check if there had been a Change of Occupier (CoO) at the property. LF agreed and highlighted that it would be the same for the customers which were inheriting theft situations.

The Chair invited Members to provide thoughts on automated desktop audits versus human led desktop audits. LW advised that human led audits were preferable as investigations required logic and that systematic investigations could not replicate human logic at this stage. RT advised that there was a risk of self-fulfilling bias with automated investigations. JS advised that it would depend on the source highlighting that data led investigations could be automated and that Crimestoppers or police data could be reviewed by humans.

CP advised that if financial benefits were given for desktop audits, there would need to be something in place to prevent Suppliers from churning out huge numbers of audits to receive

the financial benefit. CP advised that there was potential for imbalances between differently sized Suppliers if automated audits could be used.

The Chair asked if the suggestion was that the larger Suppliers would be able to do more machine work in theft. CP confirmed that he believed that this would be the case, adding that smaller Suppliers may struggle to find thefts to investigate. LF challenged this point advising that data analytics should only be used to progress to site visits. LF advised that the intention was that the rules would be balanced across all Suppliers and there would not be room for gaming the system.

GE asked how assurance would be completed on the process and asked if there were any audits planned, adding that it would be difficult to provide oversight on an automated process. WC advised that automation was allowed in similar sectors and did not want to limit parties to just human investigations.

RT suggested that a minimum conversion threshold could be applied to even the playing field for large and small Suppliers. The Chair advised that the Code Manager would investigate the use of a conversion threshold. Members discussed the process for closing cases following a desktop audit.

LW drew attention to point F of the definition and advised that Shipper-less energy was billed by the Distribution Network (DN) and not the Supplier as there was not a supply contract in place. LF advised that if a Supplier had identified potential theft at a property with this situation, it was expected that they would pass the information to the DN.

Members discussed situations where it may not be possible to provide a photograph of the premises and it was identified that a diagram could be provided in certain circumstances. LF advised that drafting would be added to cover situations where it was not possible to provide a photograph.

PH advised that he was comfortable with the wording within the definition however, unregistered sites issues would not be picked up at the site visit and that his company would pick those issues up in the weeks following a site visit.

4 I0173 – IMPROVEMENTS TO THE THEFT DETECTION INCENTIVE SCHEME

WC advised that the incentive payment available for all investigations work had been completed and that confirmed thefts would continue to be valued on the existing scheme mechanism. WC advised that investigations concluded as not confirmed theft would receive payment, with differential levels for desktop and site-visit investigations.

WC advised that it was proposed that the payment for Unconfirmed theft investigations is based on a fixed percentage of Theft Detection Value (TDV), with cost socialised based on market share. WC highlighted that this was the simplest calculation and hence more understandable and predictable for parties.

WC advised that the following specific changes were required as part of the solution:

- Definition of what constitutes a Desktop Investigation and Site-Visit. To be progressed as part of a separate but parallel change.

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- Data Submission including PARC change.
- Calculations for debit/credit determination.
- Requirements for the Theft Target Methodology.

WC provided an overview of the change which would need to be made to the Energy Theft Reduction Schedule as well as the change to the PARC. Members were provided with an overview of the changes proposed to the calculations. The Chair invited Members to provide feedback on the proposed changes.

AC advised that he believed that the 50% for a site visit and no theft and the 20% for a desktop audit and no theft within the calculation seemed high and overly generous. CP advised that the question came down to the spread of outcomes amongst Suppliers adding that there needed to be a way into the incentive scheme for Suppliers who struggled to find confirmed thefts.

JD asked if the payment for the desktop audits should be conditional on there being confirmed thefts. JD advised that a situation could be created where there was an incentive for Suppliers to conduct multiple abortive desktop audits. WC agreed to investigate ways to prevent these activities.

The Chair conducted a poll of attendees on the 50% and 20% theft investigation multipliers. The majority of attendees supported 50% and 20% of the TDV as being an appropriate multiplier for the next scheme year. GE asked how easy it would be to tweak the percentages once the change had been approved should issues arise in the future. WC advised that the numbers would be set on an annual basis with opportunities for parties to review the figures through consultation.

5 I0175 – INTRODUCING A REASONABLE ENDEAVOURS SCHEME WITHIN THE REC

SD provided Members with an overview of the total usage of the Xoserve Reasonable Endeavours Scheme over the past five years. SD advised that the scheme was utilised the most through 2020 and 2021 advising that some Suppliers used staff that may have been furloughed to conduct investigations which led to an uptake in the scheme.

SD provided an overview of the percentage of successful claims that were made in the past five years noting that in the previous 3 years no fewer than 79% of claims had been successful. SD advised that the value of the payments processed had a large increase in 2022 however had returned to a normal level in 2023.

GE asked where the funding for the payments came from, SD confirmed that it came from Xoserve's central funding and was then claimed back. SD advised that the number of Shippers partaking in the process was very low.

EH asked if any of the Supplier Members had identified from their organisations why they were not using the scheme. CP advised that unless there was a pipeline to process it was not worth Suppliers raising the claims.

JD advised that he believed that when Ofgem accepted the TDIS change development that there was an expectation that the Reasonable Endeavours Scheme would be removed from the

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Licence which did not happen. JD advised that the TDIS and the Reasonable Endeavours Scheme were trying to solve different issues. JD added that the Reasonable Endeavours Scheme would tackle larger more bespoke issues than the TDIS. Members discussed the differences in the funding arrangements for the two schemes.

6 I0176 – CREATION OF AN ENERGY THEFT DETECTION AND RESOLUTION BODY

MS provided Members with an overview of the work on Theft which had been conducted by Electralink in the past. Members noted the contents of the work conducted previously. The Chair advised that the Code Manager would investigate the work previously completed.

7 ANY OTHER BUSINESS

The Chair invited attendees to provide items of AOB, there was no AOB and the meeting was closed.

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