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EXAMPLE CALCULATIONS

I0173 – IMPROVEMENTS TO THE THEFT DETECTION INCENTIVE SCHEME (TDIS)

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1 SUMMARY

The Theft Detection Incentive Scheme (TDIS) exists to incentivise Suppliers to resolve Energy Theft however, as noted in the Ofgem letter dated 14 November 2023, Suppliers' overall performance has been around 40% of their targets.

The current TDIS was inherited from legacy codes and has proved challenging for affected Parties. One of the challenges for Suppliers in being able to meet their targets, is that the TDIS only rewards Confirmed Energy Thefts.

This Change Issue proposes that not only Confirmed Energy Thefts are incentivised but also Desktop and Site Visit Investigations. It is hoped that incentivising positive actions and removing this financial disincentive to undertake such investigations without assurance, that this would convert into a Confirmed Energy Theft, would increase the overall performance of Suppliers within the scheme and the number of Confirmed Energy Thefts found and rectified.

2 EXAMPLE CALCULATIONS OVERVIEW

2.1 OVERVIEW

Data analysis on some example scenarios was completed. These values were driven by assumptions regarding performance against target and investigation conversion including proportion of investigations leading to site visits.

RETAIL ENERGY CODE

2.2 EXAMPLE SCENARIO – DOMESTIC

Supplier	Market Share	Target	Theft Performance	Investigation Conversion	Cases	Site Visits	Confirmed Thefts	Current Approach	New Approach	Movement
A	27%	8,100	Above Average	Median	11,340	6,804	5,670	1,509,738	1,708,372	198,634
B	27%	8,100	Below Average	Low	7,088	2,835	2,025	-1,543,665	-1,432,471	111,194
C	27%	8,100	Average	High	5,670	4,253	4,050	152,670	-84,416	-237,086
D	6%	1,800	Below Average	Low	1,575	630	450	-343,037	-318,336	24,701
E	6%	1,800	Outperforming	High	2,772	2,079	1,980	938,639	926,980	-11,659
F	6%	1,800	None	None	-	-	-	-720,000	-806,899	-86,899
G	1%	300	Average	Median	300	180	150	5,654	6,771	1,117

Key Assumptions:

- £12m total pot
- Overall pot performance c. 45%
- Site visit multiplier 50% (does not also receive desktop payment)
- Desktop investigation multiplier 20%

2.3 EXAMPLE SCENARIO – NON-DOMESTIC

Supplier	Market Share	Target	Theft Performance	Investigation Conversion	Cases	Site Visits	Confirmed Thefts	Current Approach	New Approach	Movement
H	15%	600	Significantly above	Median	990	743	660	538,913	526,298	-12,615
I	15%	600	Average	High	396	337	330	-30,544	-118,759	-88,215
J	12%	480	Above Average	Low	1,152	461	288	16,980	158,868	141,888
K	12%	480	Below Average	Median	108	81	72	-355,755	-428,667	-72,912
L	10%	400	Average	Low	880	352	220	-20,362	82,228	102,590
M	8%	320	Above Average	High	230	196	192	11,320	-35,088	-46,408
N	8%	320	Below Average	Median	72	54	48	-237,170	-285,778	-48,608
O	5%	200	Significantly above	High	264	224	220	179,638	155,133	-24,505
P	5%	200	Average	Median	165	124	110	-10,181	-29,486	-19,305
Q	5%	200	None	Abnormally low	400	24	-	-200,000	-147,305	52,695
R	1%	40	Outperforming	Median	240	180	160	236,100	251,199	15,099
S	1%	40	Below Average	Abnormally high	6	6	6	-29,646	-36,547	-6,901
T	1%	40	Below Average	Low	24	10	6	-29,646	-31,747	-2,101
U	1%	40	Below Average	Abnormally low	120	7	6	-29,646	-13,447	16,199
V	1%	40	None	None	-	-	-	-40,000	-46,901	-6,901

Key Assumptions:

- £4m total pot
- Overall pot performance c. 55%
- Site visit multiplier 50%
- Desktop investigation multiplier 20%

2.4 EXAMPLE SCENARIO – DOMESTIC

- Scenarios updated based on current year to have higher number of site visits and investigations per confirmed theft
- Supplier 3 also amended to have average theft performance and median conversion.

Supplier	Market Share	Target	Theft Performance	Investigation Conversion	Cases	Site Visits	Confirmed Thefts	Current Approach	New Approach	Movement
A	27%	8,100	Above Average	Median	25,515	15,309	5,670	1,509,738	2,564,423	1,054,685
B	27%	8,100	Below Average	Low	12,150	4,860	2,025	-1,543,665	-2,083,060	-539,395
C	27%	8,100	Average	Median	18,225	10,935	4,050	152,670	423,275	270,605
D	6%	1,800	Below Average	Low	2,700	1,080	450	-343,037	-462,902	-119,866
E	6%	1,800	Outperforming	High	2,871	2,010	1,980	938,639	638,053	-300,586
F	6%	1,800	None	None	-	-	-	-720,000	-1,095,466	-375,466
G	1%	300	Average	Median	675	405	150	5,654	15,677	10,022

Key Assumptions:

- £12m total pot
- Overall pot performance c. 45%
- Site visit multiplier 50% (does not also receive desktop payment)
- Desktop investigation multiplier 20%

2.5 EXAMPLE SCENARIO – NON-DOMESTIC

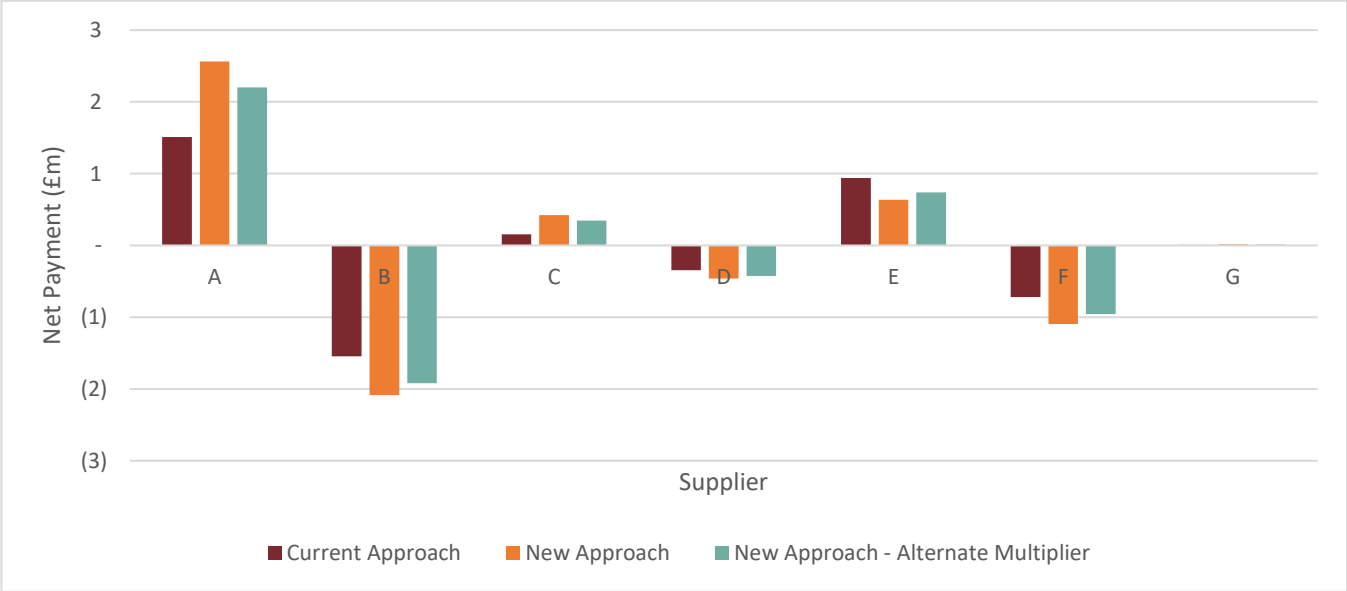
- Scenarios updated based on current year to have higher number of site visits and investigations per confirmed theft
- Supplier 3 also amended to have average theft performance and median conversion.

Supplier	Market Share	Target	Theft Performance	Investigation Conversion	Cases	Site Visits	Confirmed Thefts	Current Approach	New Approach	Movement
H	15%	600	Significantly abc	Median	2,640	1,980	660	538,913	1,002,683	463,770
I	15%	600	Average	High	413	351	330	-30,544	-335,874	-305,330
J	12%	480	Above Average	Low	1,872	749	288	16,980	209,496	192,516
K	12%	480	Below Average	Median	288	216	72	-355,755	-531,939	-176,184
L	10%	400	Average	Low	1,430	572	220	-20,362	108,418	128,780
M	8%	320	Above Average	High	240	204	192	11,320	-150,536	-161,856
N	8%	320	Below Average	Median	192	144	48	-237,170	-354,626	-117,456
O	5%	200	Significantly abc	High	275	234	220	179,638	85,428	-94,210
P	5%	200	Average	Median	440	330	110	-10,181	12,409	22,590
Q	5%	200	None	Abnormally low	200	40	-	-200,000	-257,410	-57,410
R	1%	40	Outperforming	Median	640	480	160	236,100	406,218	170,118
S	1%	40	Below Average	Abnormally high	6	6	6	-29,646	-51,528	-21,882
T	1%	40	Below Average	Low	39	16	6	-29,646	-41,928	-12,282
U	1%	40	Below Average	Abnormally low	60	12	6	-29,646	-38,928	-9,282
V	1%	40	None	None	-	-	-	-40,000	-61,882	-21,882

Key Assumptions:

- £4m total pot
- Overall pot performance c. 55%
- Site visit multiplier 50%
- Desktop investigation multiplier 20%

2.6 DOMESTIC SCENARIOS COMPARED



2.7 NON-DOMESTIC SCENARIOS COMPARED

