SOLUTION DEVELOPMENT REPORT

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

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1 SOLUTION DEVELOPMENT APPROACH

This Change Issue was raised following the first Theft Issues Group (TIG) on 24 April 2024 and attendees were invited to offer solutions to improve the TDIS. At the TIG meeting on 29 May 2024, the Code Manager brought four potential options for improvements to the TDIS for discussion as follows:

- Payment for all investigations
- Payment for site visits
- Payment for specific lead sources
- Enhanced payment for targeted activities.

TIG attendees' preference was the option for payment for **all investigations** and it was agreed for this solution to be further developed and presented at the following meeting on 26 June 2024. The draft definitions for changes to Schedule 1, calculations and legal text for Schedule 7 and alterations to the PARC was agreed to be drafted for 31 July 2024. TIG attendees were invited to contribute to and refine the proposed solution for all investigations.

The solution development report and draft, red-lined legal text is planned to be presented at the TIG meeting on 28 August 2024 in preparation for Party Impact Assessment.

Data analysis on some example calculations was also provided which can be found here. These values were driven by assumptions regarding performance against target and investigation conversion including proportion of investigations leading to Site Visits.

2 PROPOPSED SOLUTION OVERVIEW

The solution under I0173 will provide an incentive payment for investigations completed. This may be an investigation completed through a Confirmed Energy Theft and these incentive payments will continue to be valued on the existing scheme mechanism or through

investigations that have concluded but not converted into a Confirmed Energy Theft. This will provide differential levels of payments for Desktop and Site Visit Investigations. Desktop Investigations will only result in an incentive payment where it relates to an Energy Theft Tip Off Service (ETTOS) lead and this requirement is documented within the Schedule 1 definitions.

NEW DEFINITIONS FOR SCHEDULE 1

To enable calculations to incorporate Incentive Payments for Desktop and Site Visit Investigations, new definitions are proposed within Schedule 1.

- Completed but Unconfirmed Theft Investigation
- Energy Theft Desktop Investigation
- Energy Theft Site Visit Investigation.

For Energy Theft Desktop Investigations and Energy Theft Site Visit Investigations, the proposed definitions detail the minimum requirements and evidence needed for it to meet the criteria.

CALCULATIONS AND PAYMENTS

I0173 proposes that the Code Manager calculates incentive payments based on both Confirmed Energy Thefts and Completed but Unconfirmed Theft Investigations and this is detailed within Schedule 7, Annex 3. Payments for Unconfirmed Theft Investigations are proposed to be based on a fixed percentage of the Theft Detection Value (TDV) with costs socialised based on market share. This was determined as it is the simplest and most predictable for Parties.

Below are the existing calculations in black regarding the Supplier's performance against the performance of the rest of the Suppliers within the respective pot. The additional formula is in red which applies the multiplier for the Desktop or Site Visit Investigations to the TDV and then socialising it across the market share. Note that incentive payments will be limited to Energy Theft Desktop Investigations where an ETTOS reference has been provided (being the criteria determined for the TDIS Reporting Year). These calculations are referenced within Schedule 7.

$$\text{Theft Debit/Credit}_S = X * \left(\frac{STD}{TTD}\right) - (X * FMPS) + V_S * MS * TDV + D_S * MD * TDV - \left(\sum_S (V_S * MS * TDV + D_S * MD * TDV)\right) * FMPS$$

Where:

X is the total incentive pot value of the relevant consumer segment of the TDIS, amended in line with the percentage change in the 'Consumer Price Index' between the index published for the

start and the end of the TDIS Regulatory Year.

STD is the number of Confirmed Energy Thefts recorded by the Energy Supplier in the relevant consumer segment.

TTD is the total number of Confirmed Energy Thefts recorded in the TDIS Reporting Year for the relevant consumer segment.

FMPS is the final Metering/Supply Meter Point market share of the TDIS Qualifying Supplier in the TDIS Reporting Year for the relevant consumer segment (being the TDIS Qualifying Supplier's market share as a percentage of the Metering/Supply Meter Points of all the TDIS Qualifying Suppliers based on the figures used at the start of the TDIS Reporting Year).

VS is the number of Completed but Unconfirmed Theft Investigations that were concluded as an Energy Theft Site Visit for Energy Supplier S.

DS is the number of Completed but Unconfirmed Theft Investigations that were concluded as an Energy Theft Desktop Investigation for Energy Supplier S.

MS is the applicable percentage referred to in Paragraph 4.2 for Completed but Unconfirmed Theft Investigations that were concluded as an Energy Theft Site Visit Investigation.

MD is the applicable percentage referred to in Paragraph 4.2 for Completed but Unconfirmed Theft Investigations that were concluded as an Energy Theft Desktop Investigation.

$\sum_{S}$ *is the sum over all Energy Suppliers.*

DESKTOP AND SITE VISIT THEFT INVESTIGATION MULTIPLIERS (MS)

The multipliers for the Number of Completed but Unconfirmed Theft Investigations for the first TDIS Scheme Year will be documented within the Theft Target Methodology (TTM).

The multipliers are proposed to be

- 20% for Desktop Energy Theft Investigations
- 50% for Energy Theft Site Visit Theft Investigations
- 100% for Confirmed Energy Thefts.

These are based on the perceived effort of carrying out each level of investigation/confirmation. These are a single multiplier rate rather than a different multiplier rate for each pot as the TDV already varies by pot. Suppliers would not receive multiple payments for the same Energy Theft investigation/confirmation.

The table below demonstrates what these multipliers look like within the TTM. Please note that the TDV values presented are from the 2024/25 Scheme Year but will not be the actual values applied for 2025/26 Scheme Year and are only provided to illustrate the solution.

Fuel	Segment	Theft Detection Value	Confirmed Theft (100%)	Energy Theft Site Visit Multiplier (50%)	Energy Theft Desktop Investigation via ETTOS Lead (20%)
Elec	Domestic	£470.12	£470.12	£235.06	£94.02
Elec	Non-Domestic	£1,462.07	£1,462.07	£731.04	£292.41
Gas	Domestic	£1,247.42	£1,247.42	£623.71	£249.48
Gas	Non-Domestic	£2.158.03	£2.158.03	£1,079.02	£431.61

ALTERATIONS TO SCHEDULE 7

As well as the calculations within Schedule 7, Annex 3, section 8.3, updates are required to allow the determination of new parameters as part of the TTM process.

All Energy Theft Investigations are required to be submitted to the Code Manager as the investigation commences. Once the investigation has concluded, details of the energy theft investigation must be resubmitted with the outcome of the investigation and include whether the investigation was concluded as an Energy Theft Desktop Investigation or Energy Theft Site Visit Investigation. These submissions must be compliant with the Performance Assurance Reporting Catalogue (PARC) definition for Residential and Commercial Outcome files as well as the TDIS Reporting Timeframe.

Schedule 7 will also require alterations to include Completed but Unconfirmed Theft Investigations to the TDIS Summary Report, Indicative TDIS Summary Report and the Final TDIS Reporting Year Summary Report alongside Confirmed Energy Thefts.

It will also provide clarity in that all reported Confirmed Energy Thefts and Completed but Unconfirmed Theft Investigations are required to meet the applicable definitions within the Code and that the PAB reserves the right to audit the evidence associated these definitions.

PARC CHANGES

This Change Issue adds a new data submission requirement to the Residential and Commercial Outcome files to include a new field in the Investigation Outcome Block.

Field Name	Mandatory / Conditional / Preferred	Type	Length	Column Number in File Validation	Description / Permitted values

Theft Investigation Type	M	Char	1	35 (Commercial) 29 (Residential)	Indicates the type of theft investigation activity completed - this should be populated based on the type of investigation performed at the point of submission (NB: this means it is likely that investigations will initially be submitted with D and then may be subsequently be submitted with V). Permitted values: D - Desktop Investigation I - Incomplete O - Other V - Site Visit Where 'D' or 'V' is selected this must meet the criteria specified within the REC definition schedule for the relevant Investigation Type.

In addition, a second new field will be included in the Investigation Outcome Block to contain the ETTOS Lead reference as provided by Crimestoppers.

Field Name	Mandatory / Conditional / Preferred	Type	Length	Column Number in File Validation	Description / Permitted values
Information Source Reference - ETTOS Lead	C	Char	25	36 (Commercial) 30 (Residential)	As provided by Crimestoppers - ETTOS leads. Populate where Theft Lead Source is C-Crimestoppers or an ETTOS lead is matched to an existing open investigation with any Theft Lead Source, otherwise leave blank.

3 DRAFT LEGAL TEXT

The legal text changes to deliver the proposed solution to I0173 can be found here.

4 IMPACT ASSESSMENT

This Change Issue is targeting a three-week Party Impact Assessment in August 2024.

5 IMPLEMENTATION

To align with the 2025/26 TDIS Scheme Year, this Change Issue is targeting a 01 April 2025 implementation date.