RETAIL ENERGY CODE

THEFT ISSUES GROUP

27 NOVEMBER 2024

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WELCOME, INTRODUCTION AND CONFIRMATION OF AGENDA

CHAIR

AGENDA FOR TODAY

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	TITLE	PAPER REF.	LEAD
1	**Welcome and Introduction**	Verbal	Chair
2	**Confirmation of the Agenda**	Verbal	Chair
3	**Approval of Minutes from the previous meeting** For Decision	RECTIG_24_1127_03	Chair
4	**Review of Actions Log** For Information	RECTIG_24_1127_04	Chair
5	**Partnering with City of London Police** For Discussion	Verbal	Jon Dixon
6	**Strategic review and prioritisation** For Discussion	Verbal	Jon Dixon
7	**I0175 - Introducing a Reasonable Endeavours Scheme within the REC** For Discussion	RECTIG_24_1127_07	Jon Dixon
8	**I0187 – Schedule 8 Review and Best Practice Guidance Development** For Discussion	Verbal	James Hardy
9	**Future meetings**	Verbal	Chair
10	**Any Other Business**	Verbal	Chair

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APPROVAL OF MINUTES FROM THE PREVIOUS MEETING

CHAIR

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REVIEW OF ACTIONS LOG

CHAIR

ACTIONS LOG

ACTION REF.	ACTION	OWNER(S)	TARGET DATE	UPDATE	STATUS
RECTIG_24_0925_01	RECTIG Members to complete a review on the Group 1 Sections of Schedule 8 ahead of the October 2024 RECTIG meeting.	RECTIG Members	30 October 2024	An update will be provided in the meeting.	Open

Energy Theft Reduction: *Police Partnership Proposal*





Update for Theft Issues Group

November 2024

Executive *Summary*

Problem statement:
Energy theft is a major challenge, costing consumers and threatening public safety.
2022 research estimates theft-related losses of:

- **636 - 1,059 GWh of gas**.
- **1,703 - 2,837 GWh of electricity**.

Equivalent to **£0.9 billion to £1.4 billion** at December 2022 prices, adjusted for Q4 2024 estimated at **£457 - £760 million**, or **£27 per bill-paying consumer**.

Challenges in Enforcement:
Industry efforts to prevent and investigate theft are hindered by:

- Difficulty engaging police and securing support for prosecutions.
- Limited police resources and competing priorities.

The lack of police engagement (combined with perception of energy theft being a ‘victimless crime’) leads to **low deterrence** and few prosecutions.

Introduction

Recap: Energy Theft Reduction Strategy

The Energy Theft Reduction Strategy empowers REC Parties to prevent, detect, and respond effectively to energy theft. Currently, RECCo provides tools and services such as the Energy Theft Tip-off service (ETTOS), Theft Estimation Methodology (TEM), Theft Detection Incentive Scheme (TDIS), and more.

Five key areas guide the strategy's development:

1. Engagement
2. Awareness
3. Data and insights
4. Incentives
5. **Enforcement** (the focus of this report)

These areas focus on collaborating with industry parties, raising awareness through campaigns like Stay Energy Safe, leveraging data analytics, enhancing incentives, and strengthening enforcement measures.



Energy Theft Reduction – strategic objectives



Engagement

- Forming an Energy Theft Reduction Expert Group and broad Theft Stakeholder Forums with industry players.
- Providing regular external updates on the progress of the Theft Reduction Strategy.
- Developing comprehensive training and guidance materials to equip stakeholders with necessary tools and knowledge.

Awareness

- Continuously investing in and enhancing the Stay Energy Safe campaign in collaboration with Crimestoppers to raise public awareness.
- Development of a detailed strategy for how awareness and action can best be raised across both industry and Consumers. This will result in the identification of recommended projects and initiatives to increase awareness and action.

Data and Insights

- Identifying and leveraging data sets and sources to enhance theft detection.
- Forming data-sharing agreements to facilitate information exchange.
- Developing smart meter tamper alert analytics for proactive theft detection.
- Conducting retrospective analysis of data sets to uncover new theft leads.
- Partnering with DeterTech to establish a theft data hub for industry-wide visibility and trend analytics.

Incentives

- Enhancing existing Supplier Theft Detection Incentive Schemes.
- Developing a broader targeted incentive regime to incentivise theft prevention and detection efforts.
- Commissioning an independent 'whole of system' report to identify gaps in responsibilities and commercial incentives.

Enforcement

- Conducting research into the legal landscape and developing guidance for law enforcement agencies.
- Collaborating closely with **City of London Police** and other relevant agencies to tackle energy theft effectively.
- Establishing a target operating model for a dedicated, operationally independent unit focused on energy theft enforcement

Police Partnership

Proposed Solution

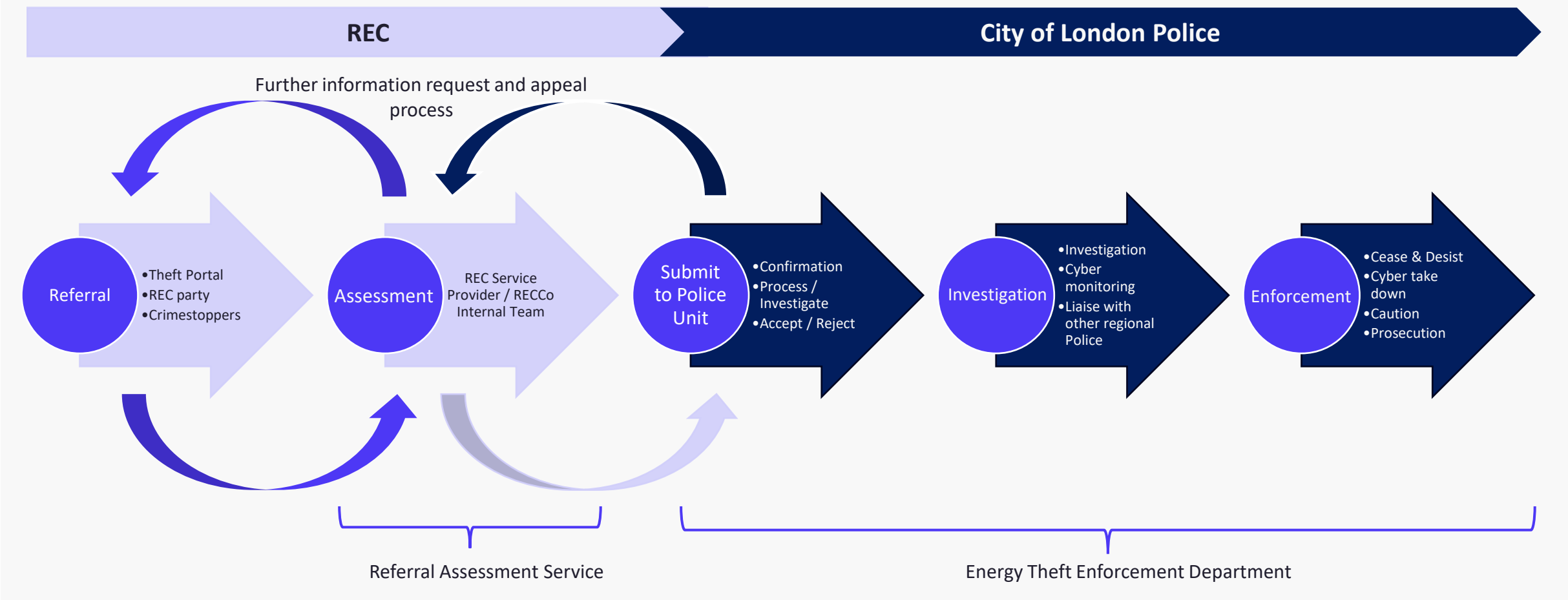
Energy Theft Unit (ETU):

- **Dedicated Enforcement Unit:** The ETU will be operated by the City of London Police to investigate, disrupt, and prosecute organized energy theft and associated crimes.
- **Focus on High-Impact Cases:** Prioritizes addressing large-scale, organized theft operations, including those targeting multiple sites and offering "tampering as a service."
- **Support for Industry:** Provides centralized, consistent enforcement support for Energy Suppliers, addressing gaps in existing theft detection and resolution processes.
- **Deterrence and Public Safety:** Acts as a visible deterrent to would-be offenders.

Referral Assessment Service (RAS):

- **Centralised Liaison:** Acts as the primary intermediary between REC stakeholders and the Energy Theft Unit (ETU), ensuring smooth communication and case handling.
- **Referral Triage:** Reviews and assesses referrals from industry parties to determine viability for investigation – based on agreed criteria, opportunity for reworking.
- **Quality Assurance:** Enhance referrals with additional data, such as property histories or energy usage patterns, to strengthen the case for prosecution.
- **Strategic Insights:** Identifies trends and patterns, targeting organised crime networks and high-impact theft cases that individual parties may struggle to pursue.
- **Enhance efficiency:** Reduce administrative burden on stakeholders by standardising and streamlining the referral process.

High-level process flow



We want your feedback!

The Outline Business Case is published in full at:

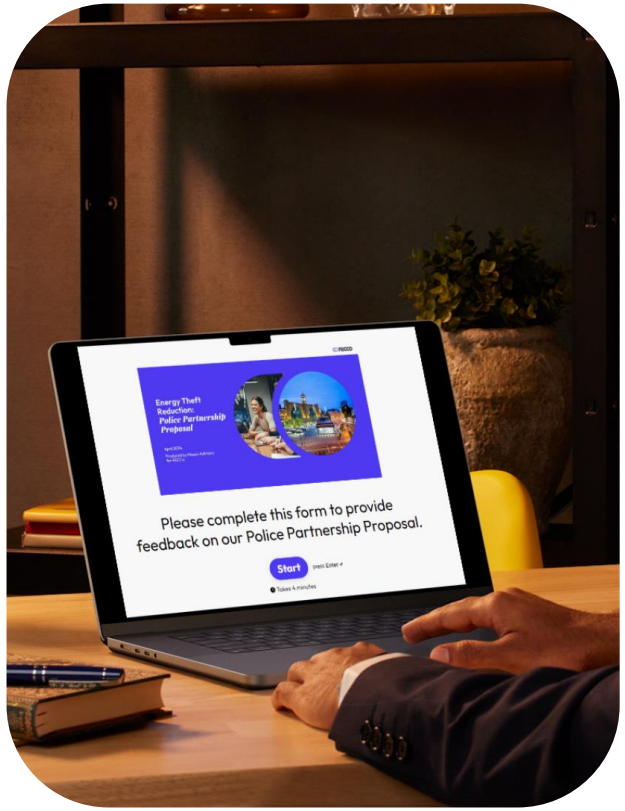
www.retailenergycode.co.uk/partnering-with-city-of-london-police-our-proposal-for-a-dedicated-energy-theft-unit/

Please read the Outline Business Case in full and take a few moments to provide your feedback, either by online survey or email using the links below:

Survey - click to complete:
https://orsnoq1e00j.typeform.com/to/LR1ymCWh

Or email: Theft@retailenergycode.co.uk

We requested response by **6 December 2024**



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STRATEGIC REVIEW AND PRIORITISATION

JON DIXON

PURPOSE

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- To consolidate and present all known challenges, including operational, regulatory, and technological gaps, affecting the industry’s ability to prevent, detect, and address energy theft.
- By offering a holistic view, stakeholders—including suppliers, network operators, the regulators, and law enforcement—can better understand the scope and interconnected nature of the problem and act as a catalyst for change, driving industry collaboration, informing policy, and encouraging innovation.

CONTENT

1. **Executive Summary**
2. **Introduction**

- What is Energy Theft?
- Why Does It Matter? (similar background to OBC)
- Scope of the Paper

3. **The Current Landscape**

- Statistics and Trends
- Industry Obligations
- Existing Efforts

4. **Challenges in Tackling Energy Theft**

- Awareness and Engagement
- Incentives
- Monitoring and reporting
- Operational issues
- Technological and resource gaps

CONTENT

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5. **Current and proposed solutions**
   - Improving incentive structure
   - Leveraging technology
   - Centralising efforts
   - Streamlining processes
   - Regulatory adjustments
6. **The role of RECCo**
   - Facilitation, leadership and central procurement
   - Progress to date
   - Future plans
7. **Case studies and best practices**
   - International examples
   - UK success stories
8. **Recommendations**
9. **Call for action**
10. **Appendices**

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I0175 – INTRODUCING A REASONABLE ENDEAVOURS SCHEME WITHIN THE REC

JON DIXON

PURPOSE

- This document outlines the business rules to support the implementation of a Reasonable Endeavours Scheme (RES) under the Retail Energy Code (REC).
- The scheme is designed to complement the existing Theft Detection Incentive Scheme (TDIS) by targeting complex or high-cost energy theft investigations that are inadequately compensated under the TDIS framework.

BUSINESS RULES

BR01 - The REC will establish and manage the RES under its governance. The scheme will operate as a supplementary mechanism to TDIS, providing fair compensation to suppliers for qualifying investigations that meet predefined complexity and cost criteria.

BR02 - Eligibility is defined by investigation complexity and cost. The scheme will be accessible to suppliers undertaking theft investigations that:

- Involve costs exceeding predefined thresholds (e.g., £1,000 for gas-only, £1,200 for electricity-only, and £2,000 for dual fuel cases).
- Require collaboration with law enforcement (or the RAS and ETU as appropriate), technical experts, or legal resources.
- Claims period will not have to align with those of normal TDIS claims – e.g. could extend beyond 60 days due to unavoidable logistical, legal, or technical challenges.
- Subject to completion of all reporting requirements – including into gas and electricity settlements.

BUSINESS RULES

BR03 - Suppliers are automatically opted-in to the RES by default. All licensed suppliers may participate in the RES. Suppliers wishing to 'opt-out' are not required to do anything, they are simply not required to submit any claims or other reporting specific to this scheme.

BR04 - Qualifying investigations must meet "reasonable endeavours" criteria. Suppliers must provide evidence that all reasonable steps were taken to investigate theft, including customer engagement, meter inspections, and legal actions where applicable.

BR05 - Compensation claims must include detailed documentation. Claims must be supported by:

- Itemised cost breakdowns.
- Evidence of collaboration with external parties (e.g., police, technical experts).
- Investigation timelines and outcomes

BUSINESS RULES

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BR07 - Settlement and reporting responsibilities rest with suppliers. Suppliers are responsible for accurately assessing losses and correcting energy settlements based on the outcomes of investigations and ensuring compliance with all existing reporting requirements and industry processes.

BR08 – The REC will govern implementation and compliance. The REC Performance Assurance Board (PAB) will monitor supplier adherence to RES standards, audit claims, and ensure that opt-out processes are robust and verifiable.

BR09 - Periodic reviews will refine eligibility criteria and thresholds. RECCo/ REC PAB/ appropriate theft group will periodically review the scheme's effectiveness and update criteria to reflect market conditions and feedback from stakeholders.

BR10 - Scheme funding will be proportional and transparent. Costs associated with RES will be recovered through REC charges:

- **Setup Costs**: Initial governance and operational setup funded via core REC charges.
- **Transactional Costs**: Compensation for qualifying claims will be paid on a per-case basis with caps to ensure cost control, to be recovered from Suppliers through existing TDIS mechanism – i.e. exceptional RES claim added to relevant suppliers' credits.

BUSINESS RULES

BR11 - Compensation thresholds ensure fair and efficient operation. Transaction caps will apply for each investigation stage:

- Desk-based assessments.
- On-site investigations.
- Investigations involving legal actions or forced entry and associated on-site support (use UNC231V claims menu as a starting point for activities)
- Methodology to compensate for settlement exposure unless neutralised through UNC and/or BSC mods – ensure supplier no worse off for doing the right thing – compensation linked to volumes reported under BR02.

SUMMARY BENEFITS

- Enhanced Cost Recovery: Provides fair compensation for complex theft investigations, ensuring suppliers are not disproportionately burdened.
- Targeted Incentives: Encourages proactive efforts to detect and resolve complex theft cases.
- Alignment with REC Objectives: Supports fairness, efficiency, and consumer protection goals.

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I0187 – SCHEDULE 8 REVIEW AND BEST PRACTICE DEVELOPMENT

JAMES HARDY

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FUTURE MEETINGS

CHAIR

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ANY OTHER BUSINESS

CHAIR

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THANK YOU

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