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THEFT ISSUES GROUP

FINAL MEETING MINUTES

MEETING	**2**
DATE	**29 May 2024, 09:30**
LOCATION	**Microsoft Teams**

Attendee	Representing	Initials
Anne Jackson	Chair (REC Code Manager)	AJ
Alan Cookson	British Gas	AC
Jane Edge	British Gas	JE
Jenna Smith	Cadent Gas	JSm
Jessica Jarvis	Cadent Gas	JJ
Jen Stevenson	E.ON	JSt
Nicola Farrier	E.ON	NF
Shamil Udayar	E.ON	SU
Gareth Evans	ICoSS	GE
Tui Pirie	Octopus Energy	TP
Lisa Warnock	SGN	LW
Jordan Hills	SSE	JH
Paul Hart	UK Power Networks	PH
Ben Clark	Utilita	BC
Andrew Waghorn	REC Code Manager	AW
Glenn Sheern	REC Code Manager	GS
Rosalind Timperley	REC Code Manager	RT

Jon Dixon	RECCo	JD
Lynne Fallon	RECCo	LF
Paul Sutherland	RECCo	PS
Rebecca Lowe	RECCo	RL
Lydia Bentley	Secretary (REC Code Manager)	LB

1 WELCOME, INTRODUCTION AND CONFIRMATION OF AGENDA

The Chair (AJ) welcomed attendees to the second Theft Issues Group (TIG) meeting. Apologies were received from Elise Handy (Secretary – REC Code Manager).

2 APPROVAL OF MINUTES FROM THE PREVIOUS MEETING

AJ requested any comments on the minutes of the previous meeting. There were no comments and the minutes were approved.

3 TERMS OF REFERENCE

AJ presented the draft Terms of Reference (ToRs). The ToRs included both the amendments agreed at the April meeting of the TIG, as well as further amendments proposed by the REC Code Manager. The group made the following comments and considerations for revision.

- AJ queried whether confidentiality clauses should form their own section, or whether they should be covered under Section 2 of the ToRs. LF noted that it would be valuable for confidentiality clauses to be explicit within the ToR.
- AW identified a typographical error in Clause 3.1 and AJ confirmed that this will be corrected by the July meeting.
- AJ asked for responses regarding how attendance is governed within the ToRs. It was agreed that the TIG will be opened more broadly, beyond attendees of the ETREG.
- Agreement was reached on the other amendments made by The Code Manager.

AJ advised that these additions will be made to the ToRs in preparation to be agreed at the following meeting.

4 RAID LOG

AJ welcomed any comments on the RAID log. RL commented on Issue 05 and asked whether discussions relating to the Unbilled Energy Code of Practice fall within the scope of the TIG, or whether they should be discussed in the ETREG. GS confirmed that the Unbilled Energy Code

of Practice would fall within the scope of the TIG as it will discuss any documents relating to Energy Theft within the REC. RL confirmed that she was happy with the Issue within the RAID Log, and that no changes need to be made.

5 R0163 - THEFT DETECTION INCENTIVE SCHEME (TDIS) REPORTING PERIODS

JD presented on behalf of the lead Change Analyst, Elise Handy. JD gave an overview of R0163, and summarised previous discussions surrounding the Change Proposal. The idea of an increased TDIS reconciliation cadence was proposed during the December 2023 ETREG meeting, and a broadly positive response was garnered during a January 2024 Consultation. As a result, R0163 was raised with a view to increasing the TDIS reconciliation cadence from annual to quarterly. However, the responses to the R0163 Consultation were more negative than the January 2024 Consultation responses. Therefore, progression of R0163 seems unlikely.

R0163 has been brought before the TIG for discussion on how to proceed. The Proposer, JD feels that there is still a positive case for the R0163 proposed solution and would like to use TIG feedback to substantiate this position. JD highlighted that an annual reconciliation period could lead to a two-year lead time between TDIS changes, as planned change must be implemented before April in year 1, and then must be monitored over the course of that reconciliation period to see if they are successful, then the next TDIS Change Proposal implementation would need to wait until the subsequent April, two years after the first.

GE suspected that the proposed solution was not properly reviewed by respondent parties until the R0163 Consultation, and that previous positive feedback in January 2024 may have been based on an incomplete understanding of the solution. AJ queried the predicted two-year gap between TDIS changes, and how change could be delivered in a more agile way. GE noted that a "run off" process could be implemented, and that if there was suitable notice, changes could be implemented outside of the 01 April reporting period start dates. It could be included in the existing scheme, rather than waiting to build it into any future schemes.

AC agreed with JD’s assertion that the January 2024 Consultation may not have been indicative of the “mood” within the industry.

AW suggested an alternative approach where the option for TDIS changes more frequently than on an annual basis is reserved, but only used in exceptional circumstances. AW advised that this could be supported by changes to the invoicing system.

RT highlighted that REC Parties would need a strong business case to increase reconciliation frequency.

GE advised that the conversation within the TIG highlighted the sensitivity of the issue and noted that access to detection rate data would be valuable. AC responded by highlighting that Suppliers, with differing ratios of domestic vs non-domestic accounts within their portfolio, report different detection rates across each portfolio.

JE commented that Supplier Licence Conditions relating to theft should be kept in mind when discussing theft within the REC and that AW’s reserved quarterly change idea should be underpinned by a proof of concept test.

AJ requested comments on whether TDIS participants feel that they are finding appropriate levels of theft. GE confirmed that Parties are not finding the levels that they would expect to exist in real terms. Parties do find levels that are consistent with the nature and composition and context of their supply portfolio, and therefore there isn't the expectation on Parties to clean their portfolio of all theft. GE suggested that this is a paradox that needs to be resolved. GE questioned the accuracy of calculations to understand how many kWhs are being stolen. AC highlighted that FTE costs in investing in revenue protection officers are high and that training is often upwards of 6 months. Making the most of available resources is important. SU noted that every missed kWh is not always theft; his organisation finds that many of the missed kWhs are a result of missed registrations, Shipper-less sites, or other issues. SU agreed with AC's point about cost of theft investigations, which is sometimes disproportionate to amount of theft being found.

AJ queried if a 6 monthly reconciliation timescale made R0163 more palatable than quarterly. JE advised that most Suppliers are used to reconciling invoices throughout the year, and therefore the frequency doesn't matter.

JD noted it was useful understand why industry wasn't supportive of the Change Proposal and queried the idea that it is too onerous for Suppliers to reconcile quarterly. JD's preference is to put the Change Proposal on hold until there has been further development of the TDIS REC Issue being developed. Any benefits can then be better understood.

6 TDIS – POSSIBLE CHANGE OPTIONS

Andrew Waghorn presentation

AW presented ideas for possible improvements to the TDIS. The full list of suggested improvements are detailed in AW's paper circulated with the pre-meeting papers. The potential improvements were presented as changes to the existing TDIS scheme, rather than as a design basis for a second scheme. The four suggestions are as follows.

- Payment for all investigations
- Payment for Site Visits
- Payment for specific lead sources
- Enhanced payment for targeted activities.

AC agreed with the principles behind AW's suggestions and had a preference of "Payment for Site Visits, however cautioned that this may increase "visits for visits' sake" that may not find theft.

GE requested clarification of what falls under the banner of "theft" and wondered whether a subdivision of theft might be useful. AJ responded that theft is defined at a basic level as a safety issue, which involves tampering and therefore is often inherently unsafe. Regardless of motivation of theft, AJ says that theft as a whole should be viewed in the context of safety concerns.

AW agrees that tampering with a metering asset is the primary definition of theft however, GE noted that someone may use fuel for a long period with an unregistered site that has fallen off

the system but keep quiet. GE argues that this meets the definition of theft but does not involve a safety or tampering concern. GE noted that activity needed to resolve theft therefore depends on the scenario, i.e. tampering vs non-tampering. GE believes a distinction should be put in place. AJ queried GE if he thinks the proposed schemes are good but need to be underpinned by a more accurate theft definition. GE believes that a better recognition of this would inform cost benefit discussions in which new theft detection mechanisms can be discussed.

AW queried what the implications for the scheme are: for example, are there different categories of theft that have different levels of reward based on effort involves with investigation? GE argued that keeping all types of theft under one payment banner makes the cheaper and easier theft cases the ones that get reported on the most, with difficult and costly theft cases disincentivised.

JSt agreed with AC that “Payment for Site Visits” is the best way forward but recognises that there is a possibility to game the system. JSt suggested that the source of the site visit is also made available, to get a better idea of how these site visits come about, and that there is good practice underpinning them. This would give a more rounded view of a Supplier’s theft investigations. AW countered that Suppliers should be doing this anyway, for example, if a desktop search leads to a site visit, then this should be reported, along with the conversion rate of site visits into confirmed thefts. JS noted that theft in conveyance isn't included in the data submitted to the REC currently. It was queried whether DNO activities should be brought into TDIS discussions, and that DNOs are the ones investigating GE's non tampering theft as it's theft from the network rather than from the Supplier.

PH identified two scenarios of non-tampering theft:

- Unregistered sites – These would fall within the scope of the DNO or the GT as per JSt's comments.
- An MPAN is not active on a Supplier’s system but is being used by a customer. PH noted that this is theft in the traditional sense but falls outside the scope of the TDIS theft definition.

JD noted that, to an extent, the legal definition of theft doesn't matter as there is still a cost impact on Consumers.

AW highlighted further suggestions for alterations to the TDIS.

- Buy-out fund
- Fixed Theft Value
- Confirmed Theft Reward
- Separate scheme vs individual outcome
- Industry initiatives or good causes
- Including energy cost in Theft Detection Value (TDV).

AC noted that he would need to model individual proposals to understand the impact and advised that he didn’t agree with “Industry initiatives or good causes” as it might discredit the TDIS if payments go towards a good cause that isn't universally agreed to be a good cause.

JE highlighted late submissions or late adjustments. If quarterly reconciliations are overly onerous, then reworking payments are also likely to be onerous. If we are addressing energy theft as an industry, then we should all be pushing to same target and deadline. AW agreed with JE and advised that the Code Manager is looking to enforce hard deadlines, and that theft identification involves correct and timely reporting. AW noted that there is a balancing act between encouraging engagement with the scheme and enforcing an onerous admin burden as a result of engagement with the scheme. AW advised that some of his proposals reduce the "relative to performance" element of the TDIS. JE noted that the failure to report data accurately and on time only benefits people who deliberately commit energy theft by Switching between Suppliers regularly to avoid detection.

Lynne Fallon presentation

It was noted that there is some overlap with AW's paper and some suggestions may be similar.

- Minimum confirmed theft threshold qualification to receive TDIS payments, with a sliding scale above the minimum threshold
    - LF noted that this doesn't address unengaged Suppliers or Suppliers who are trying to find theft but aren't succeeding.
- Additional qualifier of investigations target and conversion rate
    - Based on submission of certain proportion of investigations compared to other parties.
    - LF noted that this does more to drive submission of all investigations, even closed down desk top and field investigations.
- Similar to AW's "Fixed Theft Value" suggestion
    - LF advised that residual money at the end of the first year could be used to set up a new energy theft investigation body, and then this becomes self-funding from year 2.
- Suppliers who do not engage in TDIS have meter inspection regimes imposed on them, for both legacy and smart meters.
    - LF advised that for Smart metering assets, this also includes a check that the meter works as intended and is communicating with the Supplier.

LF highlighted that she didn't include anything on DNOs or GTs as it would require a TDIS re-design. LF suggested a scheme for them in the future, as there is theft in conveyance for Gas and Electricity, and these rates are different between fuels. LF is not aware of centralised GT reporting on this.

AJ advised we have identified a need for a new approach to theft incentives, and this point about conveyance can be covered under that in future. AC was supportive of Lynne's ideas and preferred the suggestion on meter inspections. Also, that these ideas could be implemented faster for a "quick win." GE agreed with AC and noted that LFs ideas are improvements on where we are currently. It was queried how these can be prioritised as there are a lot of suggestions alongside the four active REC Issues.

AW noted that in terms of quick wins, every one of these changes would involve a Change Proposal in the next few months, progressing in 2024, and effective from April 2025. It is unlikely that any of these can be implemented without a mid-scheme year change of rules. There are three categories of suggestions: changing what you are paid for, how the mechanics of calculations work and the entry criteria for TDIS.

GE noted that "Payment for all Investigations" is achievable by next year and allows for subdivision of theft investigations. This was supported by JE, JSt and SU. AW queried whether there is a greater risk of gaming as a result of "Payment for all Investigations". BC didn't agree on "Payment for all Investigations" as desktop visits require a higher burden of proof to show why they are taking place. It was noted that careful definition of a desktop investigation might mitigate this.

Regarding "Meter Inspection Regimes", RT noted that the BSC uses an agent to do random or targeted checks. RT queried whether, if we opt to impose inspection regimes, we can work with the BSC to use its mechanism.

AC noted his preference "Payment for Site Visits" rather than "Payment for all Investigations" as field visits tend to confirm theft more accurately. AJ suggested more due diligence on whether there can be a graduation within payment for all investigations to give primacy to field investigations.

PH agreed with AC and BC that rewarding desktop investigations is a "slippery slope". PH thinks having two rates, where one is higher for site visits, might incentivise conversions from desktop to field.

7 ANY OTHER BUSINESS

AJ noted that Mandating ETTOS and Reasonable Endeavours agenda items would be moved to June TIG meeting. At this meeting, Xoserve will be invited to provide a summary of the "Reasonable Endeavours" scheme.

GE requested a standing item on the agenda for REC Issues relating to theft.

AJ has confirmed that the TIG can be longer than 3 hours if needed.

There was no further business, and AJ closed the meeting.