

To Regulatory Directors, Gas and
Electricity Supply Licence Holders

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Dear Stakeholder,

Energy theft in Great Britain (GB): Open letter on energy supplier obligations and performance in relation to the prevention and identification of energy theft

Ofgem is currently undertaking a review in close collaboration with internal and external stakeholders, including the Uniform Network Code (UNC) and Retail Energy Code (REC) amongst others. The purpose of this is to better understand the current performance of suppliers with existing licence and code obligations in relation to the prevention and detection of energy theft in Great Britain (GB).

In this letter, we set out our initial observations on suppliers' performance in relation to their licence and code obligations. We also set out our expectation for how suppliers should deliver against these obligations.

The impact of energy theft

The estimated cost of energy theft in Great Britain (GB) is estimated between £830m to £1.388bn per year which equates to an additional £29-48 annually to each domestic consumer's energy bill.¹ Energy theft reports have increased considerably, with over 12,000 reports to Crimestoppers in the 12 months to April 2023 compared to approximately 8,000 reports in the 12 months to April 2022.² The increase in reports suggests the prevalence of energy theft is increasing and will likely lead to a higher financial burden on consumers.

Outside of the financial impact on consumers, theft can have serious implications in terms of health and safety. Tampering with energy meters can have serious consequences even being a potential risk of serious injury or to life. A 370% increase in metering equipment interference was reported in incidents between 2017 and 2021.³ Suppliers are obligated to prevent and identify instances of energy theft and Ofgem expects suppliers to ensure that appropriate metering arrangements are in place for their consumers.

Supplier obligations

Standard Licence Conditions

¹ [Theft Estimation Methodology. Retail Energy Code Company. 2023.](#)

² [Stay Energy Safe. Crimestoppers. 2023.](#)

³ [Meter tampering. Energy Networks Association. 2022.](#)

In both the gas and electricity Standard Licence Conditions (SLC), SLC 12.A.1⁴⁵ 'Matters relating to Theft of Gas and Electricity' outlines supplier obligations to take all reasonable steps to detect, investigate and prevent theft. In relation to the investigation of theft, suppliers are expected to take all reasonable steps to identify whether the domestic customer of the premises is of pensionable age, disabled or chronically sick. They are also required to gather sufficient evidence to establish that theft has occurred as a result of a domestic customer's intentional act or by culpable negligence.

Retail Energy Code

Electricity and Gas suppliers must be a party to, comply with and maintain the Retail Energy Code (REC) as set out in SLC 11. The Energy Theft Reduction arrangements specified in Schedule 7 of the (REC) are in place to combat energy theft and support suppliers to deliver their SLC 12.A obligations outlined above. The Theft Detection Incentive Scheme (TDIS), as part of the REC's theft arrangements, sets specific theft identification targets for suppliers based on their market share. As part of our energy theft review, we have been monitoring the TDIS performance of suppliers.

These targets are in place to incentivise the detection of theft by suppliers; however, we note that overall performance of suppliers against their TDIS targets has fallen short over the past two years.

- In 2021/2022, 17,423 thefts were identified and confirmed by suppliers against an overall target of 41,000 which equated to a target achievement of 42%.⁶
- In 2022/2023, 16,581 thefts were identified and confirmed by suppliers against an overall target of 41,000 which equated to a target achievement of 40%.⁷

Current performance

We are disappointed in the overall performance of suppliers in identifying and confirming cases of energy theft given the significant health, safety, and financial implications of energy theft on consumers.

We expect to see suppliers not only comply at minimum levels, but to make concerted efforts to reduce the overall amount of energy theft in GB and its subsequent financial and health burden on consumers by taking proactive and intensive action to prevent and identify incidences of energy theft.

We would like to remind suppliers that code obligations are not guidelines, such as the meter read performance in the UNC, but obligations. As part of our ongoing work to reduce energy theft we will be engaging and monitoring on an ongoing basis with both the UNC Performance Assurance Committee (PAC) and REC Performance Assurance Board (PAB) and other relevant stakeholders to ensure that suppliers are taking all reasonable steps to prevent, identify and confirm instances of energy theft.

Ofgem reminds suppliers if not compliant with a code obligation, you are not compliant with the associated licence obligation requiring the Party to accede and be compliant with it. It is our expectation that industry fulfils all their obligations, within relevant codes and licences, and works collaboratively with all code bodies. This will go some way to ensure that not only are they compliant and helping protect the safety of consumers, but are working towards reducing energy theft overall, and the burden of costs to all consumers.

We are monitoring compliance in this important area and will take action where suppliers fail to meet SLC obligations and REC/TDIS requirements and targets. We will also examine whether there is a need to strengthen relevant licence and code obligations to improve

⁴ [Standard conditions of gas supply licence. Ofgem. 2023.](#)

⁵ [Standard conditions of electricity supply licence. Ofgem. 2023.](#)

⁶ Theft Detection Incentive Scheme 21/22. Retail Energy Code Company. 2022.

⁷ Theft Detection Incentive Scheme 22/23. Retail Energy Code Company. 2023.

performance by suppliers in this area. These measures are aimed at an overall reduction of energy theft and an improvement in performance on social obligations associated with the dangers of energy theft.

We expect that all suppliers and other stakeholders will continue to work towards improving the prevention and detection of energy theft, and we look forward to working with them to make this happen.

Yours sincerely,

Melissa Giordano

Deputy Director, Retail Systems and Processes