

Lindsay Biginton
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Date: 03 March 2025

Dear Lindsay,

Authority decision to 'send back' Retail Energy Code (REC) change proposal 0173 'Improvements to the Theft Detection Incentive Scheme (TDIS)'

The modification

The REC Panel submitted a Change Report (CR) for REC change proposal 0173 'Improvements to the Theft Detection Incentive Scheme (TDIS)' to the Authority on 3 December 2024.

The change proposal intends to incentivise the appropriate behaviours of Suppliers that could lead to an increase in confirmed energy thefts. The TDIS aims to incentivise Suppliers to meet targets for Energy Theft cases based on the Theft Estimation Methodology (TEM). Suppliers meet 40% of their TDIS targets overall¹. Currently, Suppliers receive an incentive payment when they supply information of a confirmed resolved theft case. The Proposer believes that the current financial incentives are insufficient and the TDIS would benefit from the introduction of payments for conducting desktop investigations (DI) and site visits (SV), regardless of whether these lead to a confirmed theft. The change proposal would also require the outcomes from all Energy Theft Tip-Off Service (ETTOs) leads to be fed back to RECCo, which the proposer also believes could improve the theft service.

Industry views

Whilst there were several respondents who expressed their agreement with the proposed solution and how it could help reflect the work done by suppliers and incentivise activity, responses to the R0173's consultation included doubts about the effectiveness of the current TDIS model in incentivising theft detection or having the capacity to improve it in line with the proposal. One respondent believes that the lack of confirmed thefts is due to issues with cross-company investigations and detection of hotspots. Additionally, they believe this is a licence issue and not a code issue, as a Supplier's Energy Theft responsibilities to investigate theft are laid out in the Supplier Licence Conditions section 12A^{2,3}. Another respondent noted that Suppliers cannot control how many ETTOs leads they

¹ [Energy regulator steps up action against festive fraud | Ofgem](#)

² [Gas Supply Standard Licence Conditions](#)

³ [Electricity Supply Standard Licence Conditions 25 10 2021](#)

receive and therefore some Suppliers could be disadvantaged by not receiving as many ETTOs leads for which they could receive a payment.

Our decision

We have decided that we cannot form an opinion on R0173 based on the CR as submitted and that we should therefore send the proposal back to industry for further work.

We have identified the following deficiencies in the CR:

1. We do not agree that allowing payments for DIs and SVs will create the cited incentives or drive the correct behaviours. We note and agree with the views in the Consultation that financial incentives may dissuade suppliers from collaborating in important discussions which could hinder the reduction of energy theft cases. We consider that creating more competition could prevent industry from sharing best practice and information that could overall help reduce energy theft because another Supplier, employing the learned best practice methods for DIs and SVs, could receive a payment. We also note and agree with the view of a consultation respondent that receiving an ETTOs lead is out of the control of Suppliers and therefore it could be a disadvantage if Suppliers are receiving a payment based on parameters that they cannot control.

We therefore direct that additional steps are undertaken, including sending the change proposal back to the R0173 working group for further consideration and/or undertaking further consultation if it considers this appropriate, to address these concerns. A revised FMR should:

1. Assess whether the addition of the incentive payments for DI and SV will be beneficial for the reasons raised above and whether to remove this part of the change proposal.

After addressing the issues discussed above, and revising the CR accordingly, the REC Change Panel should re-submit it to us for decision as soon as practicable.

Yours sincerely,



Grace Royall

Senior Policy Manager

Retail Systems and Processes

Signed on behalf of the Authority and authorised for that purpose.