

Ofgem decision to Approve R0173: Improvements to the Theft Detection Incentive Scheme (TDIS)

Decision: The Authority¹ has decided to approve² this change proposal³

Target audience: REC Board, REC Parties and other interested parties

Date of publication: 22 May 2025

Implementation date: To be determined by Code Administrator

Background

Energy theft is the illegal practice of tampering with energy meters or bypassing them to avoid paying for the energy consumed. In Great Britain, it costs between £830 million to £1.388 billion annually, adding £29-48 to each domestic consumer's energy bill. Beyond financial impacts, energy theft poses serious health and safety risks, including potential injury or death. There was a 370% increase in metering equipment interference incidents between 2017 and 2021.⁴

Suppliers have a legal obligation to prevent and identify instances of energy theft. Ofgem expects suppliers to ensure that appropriate metering arrangements are in place for their consumers. In both gas and electricity Standard Licence Conditions (SLC), SLC 12.A⁵⁶ 'Matters relating to Theft of Gas and Electricity' outlines supplier obligations to take all reasonable steps to detect, investigate and prevent theft. Suppliers must identify if the domestic customer is of pensionable age, disabled, or chronically sick and gather evidence to establish theft due to intentional acts or negligence.

Electricity and Gas suppliers must comply with the Retail Energy Code (REC) as set out in SLC 11. The Energy Theft Reduction arrangements in Schedule 7 of the REC supports suppliers in

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986.

³ 'Change' and 'modification' are used interchangeably in this document.

⁴ [Theft Estimation Methodology. Retail Energy Code Company. 2023](#)

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

⁶ [Standard conditions of electricity supply licence. Ofgem. 2023](#)

meeting their SLC 12.A obligations. The Theft Detection Incentive Scheme (TDIS) sets specific theft identification targets for suppliers based on market share and aims to incentivise Suppliers to meet targets for Energy Theft cases based on the Theft Estimation Methodology (TEM). Suppliers currently meet 40% of their TDIS targets overall and receive an incentive payment when they supply information of a confirmed resolved Energy Theft case.

The Change Report

Retail Energy Code (REC) Change Report (CR) 0173 'Improvements to the Theft Detection Incentive Scheme (TDIS)' seeks to amend REC Schedule 1 – Interpretations and Definitions, Schedule 7 – Energy Theft Reduction and The Performance Assurance Reporting Catalogue (PARC). The REC Panel submitted a CR to the Authority on 3 December 2024. Ofgem sent the decision back to RECCo on the 3 March 2025⁷ requesting more information and clarity on the Desktop Investigations (DI) and Site Visits (SV) payments section of the Change Report. RECCo replied on the 28 March 2025 with additional information.

The modification intends to incentivise the appropriate behaviours of Suppliers that could lead to an increase in confirmed energy thefts. The Proposer believes that the current financial incentives are insufficient and the TDIS would benefit from the introduction of payments for conducting DI and SVs, regardless of whether these lead to a Confirmed Energy Theft. The Proposer believes that requiring the outcomes from all Energy Theft Tip-Off Service (ETTOs) leads to be fed back to RECCo and Crimestoppers could allow for the improvement of the theft service offered by the two organisations.

The REC Change Panel⁸ recommendation

At the REC Change Panel meeting on 3 December 2024, a majority of the REC Change Panel considered that R0173 would better facilitate the REC Objectives, and the REC Change Panel therefore recommended its approval.

Industry Views

The majority of respondents to the Change Report consultation agreed with the proposed solution and its objectives to improve the TDIS but several additional points and concerns were raised:

⁷ [Authority decision to 'send back' R0173 'Improvements to the Theft Detection Incentive Scheme \(TDIS\)'](#)

⁸ The REC Change Panel is established and constituted pursuant to and in accordance with [Standard Condition 11B.8\(a\) of the Electricity Supply Licence](#) and [Standard Condition 11.8\(a\) of the Gas Supply Licence](#).

Need for specific auditing

Two respondents highlighted the need for the REC Performance Assurance Board (PAB) to develop specific auditing for Confirmed Energy Thefts. They suggested that the solution should consider the proportion of investigations undertaken relative to the number of leads received, not just the volume of investigations undertaken on a market share basis.

Cross-Supplier investigations

It was noted by some respondents that a significant issue the industry faces is the lack of processes for cross-Supplier Energy Theft investigations, and that the proposal within the Change Report does not address nor propose a solution to this challenge.

Limited impact of solution

One respondent expressed concern that the solution will have limited impact as restricting payments to ETTOS solution investigations means that the majority of Energy Theft DIs undertaken by Suppliers will not qualify, even if they are done in 'good faith based on reasonable evidence'. The respondent noted that further work is needed to ensure Suppliers are not 'unfairly penalised for undertaking due diligence investigations' prior to a SV.

Challenges with meeting targets

One respondent disagreed with the proposed solution outlined in the Change Report, noting that the TDIS has had challenges with Suppliers meeting its targets from its inception due to a fundamental overestimation of the level of Energy Theft, not a design flaw in terms of incentivisation. They also raised concerns about the potential for more leads being channelled via ETTOS to benefit from compensation payments.

Increased theft detection

The Change Report suggests that adding incentive payments for DIs and SVs, even if Energy Theft is not confirmed, will help increase Energy Theft detection. A respondent claimed that currently, only 37% of ETTOS leads are investigated, with a conversion rate of 22% to Confirmed Energy Thefts. The rationale, according to the response, is that increasing the number of investigations could increase the number of Confirmed Energy Thefts, but there are large discrepancies in the quality of investigations, and guidance on what constitutes a robust investigation is needed.

Safety improvements

Respondents were concerned that increased SVs could cause disruption and potential negative consequences as a result of visiting a consumer's home where there is no event of Energy Theft.

Cost reduction

The Change Report states that by increasing the certainty of payment and therefore increasing Suppliers' activities, the resulting decrease in active Energy Theft activities will help reduce the overall costs of Energy Thefts that consumers face annually. There is broad agreement that increased activities will allow for more detection and could help reduce costs and add deterrents.

Improved feedback on ETTOs leads

The proposal requires Suppliers to report the outcome on all ETTOs leads, which will improve the efficacy and future development of the ETTOs service. There is agreement that feeding back of results for ETTOs leads will contribute to a better system.

Our decision

We have considered the issues raised by the change proposal and the Final Change Report (FCR) dated 3 December 2024. We have considered and taken into account the responses to the industry consultations which are attached to the FCR⁹. We have concluded that:

- implementation of the change proposal will better facilitate the achievement of the applicable Objectives of the REC;¹⁰ and
- approving the change is consistent with our principal objective and statutory duties.¹¹

⁹ REC change proposals, change reports and representations can be viewed on the [REC Portal](#).

¹⁰ As set out in [Standard Condition 11B.6 of the Electricity Supply Licence](#) and [Standard Condition 11.6 of the Gas Supply Licence](#).

¹¹ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 and the Gas Act 1986.

Reasons for our decision

Increased theft detection

The Proposer believes that adding incentive payments for DIs and SVs even in the event of no Confirmed Energy Theft, will help increase theft detection due to an increase in theft investigations and site visits could lead to more confirmed cases. Currently only 37% of ETTOs leads were investigated, with a conversion rate of 22% to confirmed thefts. SLC 12.A. 'Matters relating to Theft of Gas and Electricity' outlines supplier obligations to take all reasonable steps to detect, investigate and prevent theft.

Safety Improvements

The Proposer considers that increased SVs will resolve unsafe meter tampering events.

We consider that increased SVs, from robust investigations, may lead to a higher rate of confirmed cases of Energy Theft. We are also aware of the disruption and negative effects of visiting a customer's home, where there is no event of Energy Theft. As per Supplier licence obligations, noted previously, Suppliers are required to investigate theft. Therefore, we are supportive of efforts to increase the number of Energy Theft investigations given the rising incidence of Energy Theft throughout Great Britain. However, we recognise that there are discrepancies into the quality of investigations, and we would encourage RECCo and Suppliers to work collaboratively to establish the principles and framework of what a robust Energy Theft investigation. Whilst Supplier approaches will differ across industry, it is important that all investigations are carried out to a high and consistent standard.

Cost reduction

The Proposer believes that by increasing the certainty of payment and therefore increasing Suppliers' activities, the resulting decrease in active Energy Theft activities will help reduce the overall costs of Energy Theft that consumers face annually. We agree that a reduction in cases of Energy Theft due to increased activity by Suppliers including DI and SVs, would likely result in less energy stolen and the overall costs to consumers would be less.

Improved feedback on ETTOs leads

The proposal requires suppliers to report the outcome on all ETTOs leads in order to improve the efficacy and future development of the ETTOs service. We agree that feeding back the outcomes of ETTOs leads could contribute to a better system.

We consider this the proposal within the Change Report will better facilitate REC Objectives A, B and C.

(a) to ensure the REC operates and evolves in a manner that facilitates the achievement of its mission statement

We agree that the modification could help deliver better consumer outcomes as it may drive correct behaviours by incentivising suppliers to investigate all ETTOs leads, which as a result could increase the number of confirmed thefts and improve consumer outcomes and the overall effectiveness of the REC's mission.

(b) to ensure customers interests and data is protected in the operation of the REC

We consider that the modifications outputs will likely result in less energy stolen and therefore the cost to consumers will be reduced.

(c) to drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructure it governs.

We consider that adding incentive payments for DI and SV help increase Energy Theft detection and that the feeding back of the outcomes of ETTOs leads will lead to continuous improvements and efficiencies in the operation of the REC.

Additional views

- **Impact Assessment** Within the CR there is evidence that is speculative in nature, we would expect RECCo and the REC PAB to create performance and audit procedures, such as an integrated check and increased reporting procedures, to ensure that the proposal delivers what is expected. In the instances where the proposal does not meet the cited benefits we would expect there to be further considerations and changes to the TDIS.
- **Supplier Disadvantage** Suppliers cannot control the number of ETTOs leads they receive, which could disadvantage some. Current data shows a ~2% margin between Supplier size and ETTOs leads. Ongoing monitoring is encouraged to ensure minimal discrepancy, and Suppliers and RECCo should work together if the margin exceeds 2%.

- **Performance Assurance** Supplier compliance with REC Schedule 7 The Energy Theft Reduction arrangements is a licence obligation. RECCo should exercise their existing powers under the Performance Assurance Board to highlight Suppliers not meeting the expected quality for investigations, SVs, and Energy Theft targets.
- **Cross-Company Investigations** We recognise the industry's concern about the lack of ability for cross-Supplier investigations. Solutions to facilitate collaboration between companies in investigating and detecting theft should be explored. Supplier collaboration within existing forums, like the REC Theft Issues Group, is welcomed while adhering to competition law.

Decision notice

In accordance with Standard Condition 11B of the Electricity Supply Licence and Standard Condition 11 of the Gas Supply Licence, the Authority hereby approves REC Change Proposal R0173: Improvements to the Theft Detection Incentive Scheme (TDIS).

Michael Walls

Head of Smart Metering and Retail Market Operations

Retail Systems and Processes

Signed on behalf of the Authority and authorised for that purpose