
Ofgem decision to Approve R0233: Introduction of an Energy Theft Unit (ETU) under the Retail Energy Code (REC)

Decision: The Authority¹ has decided to approve² this change proposal³

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

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Implementation date: 27 June 2025

Background

The Retail Energy Code Company (RECCo) commissioned research in 2022 about the volume of stolen gas and electricity within Great Britain and it was estimated to cost between £0.9 billion and £1.4 billion per year. Adjusted to Autumn 2024 prices for gas and electricity which were lower than 2022⁴, that same stolen volume is now valued between £457m and £760m. Consequently, energy theft currently adds approximately £27 to each consumer's yearly bill.⁵

Energy theft presents serious risks to health and safety which can lead to catastrophic outcomes. Meter tampering leads to one death every 10 days in Great Britain⁶, and with electrical shocks, severe burns, house fires, lethal gas leaks and explosions being other consequences of energy theft, this activity presents a serious risk to life.

Suppliers must undertake activities to detect, investigate and prevent the theft of gas and electricity as part of condition 12A of the Gas⁷ and Electricity⁸ Supply Licence Conditions. However, consistent feedback indicates that suppliers find it difficult to engage and secure

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 [Energy price cap \(default tariff\) levels | Ofgem](#)

⁵ [Energy-theft-Unit-Business-Case-November-24.pdf](#)

⁶ [Energy theft - Energy UK](#)

⁷ [Gas Supply Standard Licence Conditions](#)

⁸ [Electricity Supply Standard Licence Conditions 25 10 2021](#)

police support to pursue investigations, and that the cost of investigating more complex instances of theft is a disincentive to suppliers fulfilling their 12A obligations.

This is especially the case where energy theft is sold as a service by organised criminal groups, or where energy theft is used to enable criminal operations such as cannabis cultivations or operations such as cryptocurrency mining. For suppliers to investigate these types of energy theft, additional support from specialised Revenue Protection Officers and police support are usually required.

The difficulties in investigating instances of theft in these situations and a low number of prosecutions have contributed to a low perceived risk to committing energy theft. There is widespread social media content and communication channels that teach the public how to commit energy theft and avoid detection by energy suppliers. There are even tips on how to behave in cases where there is an active investigation against the perpetrator. This open promotion of tampering as a service suggests there is little fear of prosecution, further encouraging the illegal behaviour.

We have been shown evidence that a known method to avoid detection is for perpetrators to switch suppliers when suspicion of theft arises. Suppliers currently have no mechanism to stop these consumers from switching to another supplier or to flag the consumer as a potential offender, making re-offending easier for these perpetrators. The current licence does not obligate the supplier to continue to investigate the theft when it involves meters registered to another supplier. Practically, this means that once the consumer switches supplier, the investigation of the theft stops for the activity which occurred at the first supplier, with no simple route for the gaining supplier to have knowledge of that investigation.

The change proposal

The proposed solution for R0233 will introduce a new Energy Theft Unit (ETU) under the REC, with a minimum commitment of 3 years. The ETU would be introduced under Schedule 7 of the REC and provisioned by the City of London Police (CoLP). The unit will consist of police officers and support staff responsible for investigation, enforcement and data analytics, with scope to be extended to include public outreach and social media monitoring. The ETU would

have unique access to the holistic energy theft intelligence picture across GB, not being limited by the remit of individual suppliers.

The ETU's aim would be to mitigate safety risks, financial losses, and the operational impacts of energy theft, while fostering deterrence and supporting industry-wide consumer protection goals.

The Code Manager notes that a dependency to R0233 is the implementation of the Referral Assessment Service (RAS) through the approval of R0234.⁹ We note that a decision letter to approve R0234 has been published alongside this decision letter.

RECCo believes that R0233 better facilitates REC Objective (a)¹⁰ by addressing the systematic weakness in the industry's ability to effectively detect, investigate and prosecute energy theft. The ETU would lead to positive consumer outcomes by reducing the socialised cost of theft, enhancing public safety, and helping to restore confidence in the energy market.

The Code Manager also believes that the proposal has a positive impact on REC Objective (b)¹¹ since by increasing deterrence of energy theft, instances of this crime would decrease. This should lead to lower costs associated with energy theft being passed on to consumers, and minimising consumers' exposure to risks associated with tampered energy supplies.

Finally, the Code Manager believes that the proposal facilitates REC Objective (c)¹² as it will introduce structured and scalable mechanisms to improve the detection, investigation, and prevention of energy theft across the energy market when supported by the RAS. RECCo argues that this centralisation will create a clear, consistent, high-quality, and continually improving process for assessing and managing theft referrals, as opposed to the current fragmented supplier-led approach.

⁹ [Introduction of an energy theft Referral Assessment Service under the REC - REC Portal](#) - The RAS would be crucial in supporting the ETU by acting as the initial filter and coordinator for cases, ensuring that only high-quality, actionable intelligence reaches the police unit.

¹⁰ To ensure the REC operates and evolves in a manner that facilitates the achievement of its mission statement: to promote positive consumer outcomes, ensure market efficiency, and foster innovation.

¹¹ To ensure customers interests and data is protected in the operation of the REC.

¹² To drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructures it governs.

REC Change Panel¹³ recommendation

At the REC Change Panel meeting on 06 May 2025, the REC Change Panel unanimously considered that R0233 would better facilitate the REC Objectives and the REC Change Panel therefore recommended its approval. The Code Manager believes that R0233 better facilitates REC objectives (a), (b) and (c).

Our decision

We have considered the issues raised by the change proposal and the Final Change Report (FCR) dated 07 May 2025. We have considered and taken into account the responses to the industry consultation which are attached to the FCR¹⁴. We have concluded that:

- implementation of the change proposal will better facilitate the achievement of the applicable Objectives of the REC¹⁵
- approving the change is consistent with our principal objective and statutory duties¹⁶

Reasons for our decision

We consider this change proposal 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

The ETU seeks to facilitate the process for suppliers to secure police resource for energy theft investigations where it is currently too costly or difficult to do so, such as when dealing with organised crime groups. It will also enable serious re-offences to be investigated beyond the remit of a single supplier, making avoiding detection more difficult for perpetrators. In this sense, the ETU creates a unique solution to address key gaps in supplier activity in

¹³ 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](#).

¹⁴ REC change proposals, change reports and representations can be viewed on the [REC Portal](#).

¹⁵ As set out in [Standard Condition 11B.6 of the Electricity Supply Licence](#) and [Standard Condition 11.6 of the Gas Supply Licence](#).

¹⁶ 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.

investigating and preventing energy theft and promotes efficiency for suppliers to better fulfil their licence obligations.

The cost benefit analysis presented in the Final Modification Report (FMR) estimates that the yearly cost for the ETU will be £1.6m, rising to £2m per year if the SAR is included. The Proposer argues that benefits would include deterring and reducing crime, enhancing safety and reliability, reducing financial burden on consumers, supporting industry collaboration, and promoting fair competition.

The financial benefit of reducing the costs associated with energy theft should mitigate the costs even if the benefits weren't fully realised. To achieve a cost-benefit ratio of greater than 1, the ETU would need to reduce energy theft by just 0.33% over its initial 3-year lifetime.

Ofgem agrees that the modification has the potential to provide exponential benefits for consumers compared to its costs. We agree with a respondent to the stakeholder consultation that argued that the cost benefit ratio will tend to increase as time goes on as efficiencies are made in the ETU's operations and as the ETU becomes a deterrent to potential new instances of energy theft. The introduction of the ETU might reduce the costs suppliers currently have for investigating energy theft, as the costliest investigations would likely be covered by the ETU.

The ability of the ETU to investigate and prosecute perpetrators irrespective of which supplier serves the consumer effectively fills a gap in the current energy theft detection framework. This will allow for more efficient industry processes and may lead to future innovation in theft detection models. Its introduction is likely to reduce the financial burden of energy theft on consumers even if its benefits are only marginally realised.

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

The Proposer argued that the ETU would ensure customers interests are protected by reducing costs associated with energy theft being passed on, and minimising consumers exposure to risks associated with tampered energy supplies. Ofgem agrees that the ETU has the potential to reduce the financial burden of energy theft on consumers.

Ofgem also agrees that the ETU will minimise consumers' exposure to risks associated with energy theft as the number of instances begins to reduce. With the prosecution of large-scale energy theft, potential perpetrators might choose to not tamper their meters if they are afraid of being detected and investigated. The lower the number of instances of energy theft, especially DIY meter tampering, the lower the health and safety risks are for consumers and the population in general.

A non-domestic supplier responded to the R0233 arguing that the creation of the ETU will not benefit non-domestic suppliers, as they perceive energy theft to be more prevalent in the domestic market. The Proposer responded by demonstrating that data does not support this perception, and that non-domestic energy theft occurs at a higher rate when compared to energy theft in domestic premises.

We agree with the Proposer and highlight that the consequences of energy theft are not just borne by the consumers of a single supplier, but also by the rest of society. This is highly apparent in cases of non-domestic energy theft, where this can lead to risks and loss of life for customers and employees as well.^{17, 18} By acting as a deterrent to energy theft in general, the ETU is also likely to benefit non-domestic suppliers and consumers.

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

The Proposer argues that the introduction of the ETU will drive continuous improvement as it implements structured and scalable mechanisms to improve the detection, investigation, and prevention of energy theft across the energy market when supported by the RAS.

The Proposer explains that each Energy supplier is responsible only for detecting, investigating, and preventing energy theft in the properties they supply, and do not have the legal remit to investigate tampering of meters outside their portfolio. They explain that suppliers currently have no obligation to report energy theft as a crime to the police or seek prosecution. They also explain that reporting practices vary across suppliers and that there is no coordinated action to address cross-supplier instances of energy theft.

¹⁷[Employee Electrocuted in the Shower Due to a Tampered Meter | Stay Energy Safe](#)

¹⁸[Electricity Fraud Sparks Fire Risk in Nottinghamshire Pub | Stay Energy Safe](#)

They argue that the ETU would solve this issue by centralising the way suppliers report these instances of theft to a police force. This would ensure consistency in reporting practices and prosecutions, while also allowing the ETU to detect, investigate and prosecute an instance of theft even when a perpetrator switches supplier to try to avoid investigation. They consider that the creation of the ETU and RAS will act as a catalyst for improved monitoring and reporting from industry parties, enabling timely identification and response to risks, helping to prevent future incidents.

We agree that the ETU enables improvements and efficiencies for industry practices in detecting, investigating and preventing theft. We note that in the case of improvements to energy theft detection, many arguments used by the Proposer to justify the implementation of R0233 are mostly realised by R0234 and not R0233 itself. However, as noted previously, a decision letter to approve R0234 has been published alongside this decision letter.

We also note that some respondents to the stakeholder consultation have differing views of the cost-benefit analysis provided by RECCo. Some respondents asked for further detail, including a further breakdown of how funds would be allocated and utilised, while one respondent believed that the £1.6m annual cost for the ETU was an underestimation. Another respondent asked for further detail on potential annual cost increases, as the lack of predictability made it difficult to assess the financial implications of the implementation of this modification.

RECCo explained that the cost breakdown was included in the Outline Business Case¹⁹ for the ETU. The FMR also explained how the costs would be apportioned to REC Parties via REC charges. Ofgem agrees with RECCo that the analysis provided in the Outline Business Case provides sufficient transparency and detail of how funding is expected to be allocated. In addition to that, it also explained that the REC budget has a contingency allowance which could be used to cover for unexpected cost increases if necessary.

Decision notice

¹⁹ [Energy-theft-Unit-Business-Case-November-24.pdf](#)

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 R0233: Introduction of an Energy Theft Unit (ETU) under the REC.

Michael Walls

Head of Retail Market Operations

Signed on behalf of the Authority and authorised for that purpose