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## Ofgem decision to Approve R0234: Introduction of an Energy Theft Referral Assessment Service under the Retail Energy Code (REC)

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**Decision:** The Authority<sup>1</sup> has decided to approve<sup>2</sup> this change proposal<sup>3</sup>

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

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**Date of publication:** 26 June 2025

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**Implementation date:** 27 June 2025

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### 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 2022<sup>4</sup>, that same stolen volume is now valued between £457m and £760m. Consequently, energy theft currently adds approximately £27 to each consumer's yearly bill.<sup>5</sup>

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 Britain<sup>6</sup>, 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 Gas<sup>7</sup> and Electricity<sup>8</sup> Supply Licence Conditions. However, consistent feedback indicates that suppliers find it difficult to engage and secure

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 'Change' and 'modification' are used interchangeably in this document.

<sup>4</sup> [Energy price cap \(default tariff\) levels | Ofgem](#)

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

<sup>6</sup> [Energy theft - Energy UK](#)

<sup>7</sup> [Gas Supply Standard Licence Conditions](#)

<sup>8</sup> [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.

Suppliers currently handle referrals to the police and Revenue Protection agencies in an inconsistent manner. When a perpetrator switches supplier to avoid detection, there is no consistent process to share investigation data with the gaining supplier. We are aware that in some cases, poor quality data in energy theft referrals becomes a barrier to investigation and enforcement. This is supplemented by RECCo's November 2022 Freedom of Information

request<sup>9</sup> showing that over half of police forces could not provide data on energy theft due to limitations in record-keeping.

## **The change proposal**

R0234 seeks to establish a Referral Assessment Service (RAS) as a new REC service and embed it within REC governance. The RAS aims to:

- Provide quality assurance for energy theft referrals by ensuring consistency, accuracy, and evidentiary completeness.
- Consolidate and analyse data to strengthen the quality of evidence for enforcement actions.
- Standardise and streamline the referral process, ensuring efficient and effective engagement with the Energy Theft Unit (ETU).

The key features of the RAS include:

- Case screening and prioritisation
- Data collection and verification
- Standardising referrals
- Coordination with REC Parties
- Initial investigation support
- Risk assessment and deterrence planning
- Case handover to the ETU
- Feedback loop and continuous improvement

A step-by-step guide for the process of referrals from the RAS to the ETU is summarised below:

- Upon detecting a potential instance of energy theft, a supplier, distribution network operator (DNO), or other party submits a referral to the ETU, which would first go through the RAS, a dedicated team responsible for reviewing and filtering cases from energy industry stakeholders.
- All referrals will need to include sufficient information, as per the "Referral information and evidentiary requirements" document.

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<sup>9</sup> [Recorded incidents of Energy Thefts from 2017 to 2021 | Metropolitan Police](#)

- Referrals will then be scored based on objective criteria in the “Energy Theft Strategic Threat Assessment & RAS and ETU Case Acceptance Criteria.”
- Referrals will then be either accepted or rejected based on the scoring matrix. If accepted the case will be referred to the ETU. If a case is rejected but the submitting party believes it should have been accepted, there will be an appeal process to escalate and reassess the referral.

The ETU will guide the RAS to ensure evidence meets standards for prosecution by the Crown Prosecution Service or Procurator Fiscal Service. As an initial function, the RAS will support ETU mobilisation and adapt to its evolving needs. The operation of the RAS shall be subject to the Performance Assurance Framework (PAF) and overseen by the REC Performance Assurance Board (PAB).

The Proposer notes that the implementation of R0234 is dependent on approval of R0233<sup>10</sup> and the creation of the ETU. We note that a decision letter to approve R0233 was published alongside this decision letter.

RECCo believes that R0234 better facilitates REC Objective (a)<sup>11</sup> by improving market efficiency in the industry’s ability to detect, investigate and prosecute energy theft. This is done by addressing a key systemic weakness in energy theft detection and ensures that the REC evolves to meet consumer protection needs. The Proposer highlights that the ETU and RAS will reduce the socialised cost and health and safety risks of energy theft, which promotes positive consumer outcomes.

The Proposer also asserts that the modification will have a positive impact on REC Objective (b)<sup>12</sup> by protecting consumer interests through decreasing the socialised cost of energy theft for honest consumers. They argue that the RAS is expected to increase the number of successful prosecutions which will act as a deterrent to energy theft, minimising socialised costs and safety risks associated with meter tampering.

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<sup>10</sup> [Introduction of an Energy Theft Unit \(ETU\) under the REC - REC Portal](#)

<sup>11</sup> 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.

<sup>12</sup> To ensure customers interests and data is protected in the operation of the REC.

Finally, they believe that the proposal facilitates REC Objective (c)<sup>13</sup> by introducing a centralised, structured, scalable mechanism to improve the detection, investigation, and prevention of energy theft across the market. This centralisation will replace fragmented supplier-led approaches with a coordinated system that can adapt and develop over time, ensuring lessons learned are captured to continually improve the service.

### **REC Change Panel<sup>14</sup> recommendation**

At the REC Change Panel meeting on 20 May 2025, the REC Change Panel unanimously considered that R0234 would better facilitate the REC Objectives, and the REC Change Panel therefore recommended its approval. The Code Manager believes that R0234 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 21 May 2025. We have considered and taken into account the responses to the industry consultation which are attached to the FCR<sup>15</sup>. We have concluded that:

- implementation of the change proposal will better facilitate the achievement of the applicable Objectives of the REC<sup>16</sup>
- approving the change is consistent with our principal objective and statutory duties<sup>17</sup>

### **Reasons for our decision**

We consider this change proposal will better facilitate REC Objectives (a), (b) and (c).

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<sup>13</sup> To drive continuous improvements and efficiencies in the operation of the REC and the central systems and communication infrastructures it governs.

<sup>14</sup> 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](#).

<sup>15</sup> REC change proposals, change reports and representations can be viewed on the [REC Portal](#).

<sup>16</sup> As set out in [Standard Condition 11B.6 of the Electricity Supply Licence](#) and [Standard Condition 11.6 of the Gas Supply Licence](#).

<sup>17</sup> 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.

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

The Proposer considers that this Change Proposal better facilitates REC Objective (a) by directly supporting the achievement of the REC mission statement: to promote positive consumer outcomes, ensure market efficiency, and foster innovation. The proposal will accomplish this by:

- Creating a centralised, expert-led theft enforcement function that strengthens the industry's ability to detect, investigate, and prosecute energy theft effectively.
- Addressing a key systemic weakness in energy theft detection, ensuring that the REC evolves to meet consumer protection needs in a fair, consistent, and efficient manner.
- Reducing the socialised cost of energy theft on honest consumers, enhancing public safety by addressing unsafe tampering, and helping restore confidence in the energy market.

Ofgem agrees with the Proposer, and we believe that creating a centralised and standardised referral method for energy theft will help improve the number and quality of investigations and enforcement. This process will act as a deterrent to energy theft, leading to fewer cases of meter tampering, meaning consumers are less exposed to health and safety risks and a lower socialised cost of theft.

As a response to the stakeholder consultation, a DNO argued that the reduction of energy theft would provide safety for visiting engineers and improved consumer confidence in the industry. Ofgem agrees with the DNO and would highlight that our own engagement showed that engineers who witness energy theft are many times hesitant to report this, as they are unsure who to report theft to and how to report it. We expect that the introduction of the RAS as a standardised reporting mechanism would give engineers the confidence necessary to handle situations of energy theft and improve their reporting.

Some Parties expressed concern regarding the lack of pre-defined performance management and reporting to understand the effectiveness of the RAS and the ETU before they are implemented. While Ofgem does not think that the lack of pre-defined performance management and reporting is a deterrent to implementation, we would like to highlight the importance of these factors to the continuous success of the ETU and RAS. We welcome

further engagement with RECCo and would be interested in collaborating to hold the ETU and RAS to a high standard of performance.

Finally, there is a risk that the ETU and RAS does not have the expected effect on deterring theft and that potential benefits are not realised. This was an argument made by some suppliers in their consultation responses. The Proposer disputed this point by arguing that as prosecutions are secured, publicising these successful outcomes would serve as sufficient deterrent to realise the modification's benefits.

Ofgem agrees with the Proposer and highlight that energy theft is already viewed by the perpetrators as a crime that is infrequently prosecuted. The introduction of the dedicated ETU and RAS will serve as a deterrent for some, while others might require evidence that the ETU is effective before being disincentivised from stealing energy. We remind RECCo and industry of the importance of holding the ETU and RAS to a high standard of performance, helping to ensure its success within RECCo operations.

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

- The Proposer considers that this Change Proposal will ensure consumer interests are protected as the cost of energy theft is currently borne by consumers.
- As successful prosecutions lead to deterring and reduction in energy theft crime, this consequently leads to a lower level of costs being passed on to customers. It will also work toward minimising the risks associated with tampered energy supplies.

Ofgem agrees with the Proposer on all the points listed above but would like to highlight the importance of the efficient operation and public perception of the RAS as risks to the positive impact of R0234. RECCo and the REC PAB must ensure that parties engaging with the RAS fully understand its role and guidelines to increase its effectiveness. The RAS should not be used by suppliers to "outsource" to the ETU the investigations of energy theft that should instead be carried out by their own contracted staff.

Ofgem welcomes RECCo's communications to promote and highlight the service as a way to protect consumers and expect regular publication of the service's successes.

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

- The Proposer considers that this Change Proposal better facilitates REC Objective (c) by introducing structured, scalable mechanisms to improve the detection, investigation, and prevention of energy theft across the market.
- The establishment of a centralised ETU (supported by the RAS) creates a clear, consistent, and high-quality process for assessing and managing theft referrals.
- This centralisation replaces fragmented supplier-led approaches with a coordinated system that can adapt and develop over time, ensuring that lessons from investigation are captured to drive market improvements and consumer safe outcomes.

We believe the creation of the RAS will improve the efficiency of energy theft referrals and the operation of the ETU. As a centralised service, it can more easily develop a process for the quality-assurance and improvement of referrals.

One risk highlighted in the FCR was the volume of quality referrals. Insufficient evidence or poor investigation practices by industry could lead to the poor performance of the RAS. Ofgem would welcome more detail regarding how the REC PAB intends to improve any potential poor performance by REC Parties when providing referrals to the RAS. As a reminder, under condition 12A of the Gas and Electricity Supplier Licence Conditions, suppliers are required to take all reasonable steps to detect and investigate suspected instances of energy theft. Ensuring a high quality of referrals to the RAS should fall under these obligations.

In response to the consultation, two respondents disagreed with the cost-benefit analysis provided by the Proposer. The main criticism was that the benefits of the modification were deemed intangible and that it was uncertain whether the RAS would cause a 1% reduction to energy theft to create a positive cost-benefit ratio. There was also concern that the number of instances of theft in the UK was overestimated at 801k over 3 years, and that the actual number of cases of theft was probably much lower. RECCo pointed respondents towards the Theft Estimation Methodology which was used to calculate benefits for the RAS and ETU. □

Other respondents wrote in favour of the cost-benefit analysis presented by the Proposer. One respondent was in favour of the cost-benefit analysis stating that it would be valuable to



solidify a formal referral route and working relationship between the police and the energy industry. Another respondent believed that while the numerical impact of the modification would be theoretical, the relatively low cost and high potential benefits are enough to support the modification.

Ofgem agrees with RECCo that the analysis provided in the Theft Estimation Methodology provides sufficient transparency as to how the numbers behind benefits calculations were estimated, as well as its potential estimation assumptions. While we agree that the RAS has benefits that are difficult to define, we believe that the potential benefits far outweigh the costs in this instance. However, Ofgem expects RECCo and the REC PAB to regularly review the RAS to assess whether it is delivering value relative to its costs.

One respondent argued it was unclear why only suppliers would be paying for the solution when other Parties (such as DNOs) could benefit from the RAS as well. We note that it is the responsibility of suppliers to detect, investigate and prevent energy theft under conditions 12A of the Gas and Electricity Supply Licence Conditions. Other parties have much more limited obligations in relation to energy theft that usually amount to obligations to report theft to the authorised supplier. The RAS and ETU are focused on tackling cases of energy theft due to organised crime and specialised tampering services. Ofgem believes that suppliers will be the main industry beneficiaries of these modifications, as it will enable them to more easily fulfil their 12A obligations where it is currently too costly to do so.

## **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 R0234: Introduction of an Energy Theft Referral Assessment Service under the REC.

**Michael Walls**

**Head of Retail Market Operations**

Signed on behalf of the Authority and authorised for that purpose