

National Electricity Revenue Protection Agent¹

1. Introduction

- 1.1. The electricity distributors (both DNO & IDNO) establish and operate a National Revenue Protection (RP) agent.
- 1.2. RP is presently an obligation on suppliers who discharge it through a number of different mechanisms including in house operations and regional agents (who may or may not be a DNO). Currently different suppliers and different agents may employ differing approaches so that customers may receive differing levels of service. RP is presently seen as a 'market' activity so there is not necessarily communication on new forms of theft or likely suspects. There is no particular reason why distributors (as against other parties) should operate such a service but this strawman is framed in terms of 'what distributors could do'.

2. Details of proposed approach

Approach

- 2.1. The National RP agent would apply common principles and processes across all suppliers and distributors². The actions they would undertake would include: developing new techniques of detecting theft; acting as a central point for receiving leads relating to theft; undertaking field investigations of theft; gathering and recording evidence; supporting the police and suppliers in mounting prosecutions; maintaining records of offenders; coordinating national strategies to combat serial or organised theft and being visible as a 'national champion' for customers - who presently pay for theft through settlements. The National RP agent would be funded by all suppliers through an additional price control pass through revenue item that would then be built into DUoS through the Common Distribution Charging Methodology.
- 2.2. Detection and reduction of theft has potential to both help reduce costs for consumers and to reduce carbon emissions. Theft is a 'non-technical' loss in that the current settlement mechanisms put undetected theft into losses and the 'settlement error' which is smeared across all suppliers and paid for by honest customers. However, there is also a technical aspect - in that customers who do not pay for their electricity have a tendency to use more so the reduction of theft will also reduce the actual usage of electricity and so save carbon.
- 2.3. This approach addresses only one aspect of losses and whilst it would be stand alone from other technical losses measures it would need to be aligned with any non-technical losses approaches to avoid gaps or overlaps.
- 2.4. This would be a permanent measure although it should be subject to some form of industry governance. Implementation does not need to be, but could be, concurrent with the start of RIIO-ED1.
- 2.5. Any future review of the service would not need to be linked to any distribution price control period.

¹ There are number of regulatory and industry governance initiatives underway on RP. This strawman represents a DNO centred method which is only one of several possible approaches to improving RP.

² Perhaps not dissimilar a combined RP Activity Coordination Agent and Central RP Unit that has been suggested for Gas.

Outputs

- 2.6. There are a number of direct measurable outputs including: number of investigations undertaken; number of successful investigations; quantity of electricity identified as stolen; value of electricity recovered; number of prosecutions undertaken, etc.
- 2.7. Recommended output measures would be number of successful investigations and quantity of electricity identified as stolen.

Targets

- 2.8. Targets should be set for successful investigations and units recovered on a rolling two or three year basis. There is a correlation between theft and general state of the economy and a very successful agent would reduce the overall level of theft.

Measurement

- 2.9. Measurement would be case based and could be subject to regulatory/code review or audit.

Rewards / Penalties

- 2.10. As well as rewards and penalties there is an underlying funding requirement to be built into a revenue framework. This could be delivered by a three tiered income/charging structure for the National RP Agent comprising:

- A fixed annual amount to cover basic fixed costs.
- An amount per successful investigation.
- An amount per MWh recovered.

This would give the National RP Agent an income with proportionality to its costs and successes as well as allowing it to develop incentive regimes to pay for leads from the public or industry participants. Such a revenue could be capped to prevent windfall gains either on a case based or overall measure (or both). An annual levy would be applied through DUoS with a rolling ex-post true-up two years in arrears to allow for notice to be given to suppliers. Developments from this basic approach could include retention of some or all monies recovered from offenders offsetting costs.

- 2.11. Other than as noted above – no.

3. Risks / Benefits

3.1. Benefits include

- This would ensure a consistency of approach across all MPANs throughout the country - ensuring that two identical incidents of tampering result in the same action.
- It would be geographically efficient to operate.
- The Police (when raiding cannabis farms for example) have no interest in who the Supplier is, but would always know who to contact for RP purposes.
- Suppliers' brands are protected because prosecutions could be under a name such as "UK Revenue Protection"
- This would give consistency of approach and ensure fair play across all MPANs/and all Suppliers
- There could be industry-wide reporting

- There could be national publicity to increase the deterrent effect
- Such an arrangement would need governance, as there would be numerous stakeholders with varying interests but arrangement could be established so that all stakeholders had a voice.

3.2. Risks include:

- Current contractual arrangements.
- Creation of National RP body.
- How to deliver efficiency in operation.
- Governance of RP agent going forward.

3.3. An indication of any likely financial impact on key stakeholders – DNOs, suppliers and end-use customers.

- Whilst accepting that there would be one-off set-up costs, a single National service provider has the opportunity to have the lowest efficient RP operating costs for end user customers.
- A reduction in theft benefits end-use customers – who ultimately pay for theft just as they pay for the Police through taxes and for crime through insurance costs.

4. Some evaluation criteria

4.1. Consider how this approach might be evaluated according to each of the principles set out below.

- Proportionality
- Transparency
- Consistency
- Credibility
- Clarity and Controllability
- Adaptability and Commitment

4.2. Where possible identify any additional evaluation criteria which could be applied to this approach.

5. Any additional information

5.1. None.