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**SCHEDULE [11]**

Energy Theft Reduction

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Version: 0.1

Effective Date: [Expected 1 June 2020]

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Domestic Suppliers	Mandatory
Non-Domestic Suppliers	Mandatory
Gas Transporters	Mandatory
Distribution Network Operators	Mandatory
DCC	N/A

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*Change History*

Version Number	Implementation Date	Reason for Change
0.1	N/A	Initial version for industry consultation March 2020

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## **1 Introduction**

- 1.1 This REC Schedule sets out arrangements concerning Energy Theft, and is designed to support compliance by Energy Suppliers with their obligations in Condition 12A of the Energy Supply Licences.
- 1.2 The objective of Condition 12A of the Energy Supply Licences include that Energy Suppliers individually, and where necessary in cooperation with other Energy Licence holders, detect Energy Theft, investigate suspected Energy Theft, prevent Energy Theft once detected, and prevent Energy Theft by other means such as deterrence.

## **2 Theft Reduction Strategy**

- 2.1 The REC Board shall maintain and keep under review a strategy (the Theft Reduction Strategy) that is:
  - (a) designed to support Energy Suppliers in minimising Energy Theft in so far as is reasonably practicable in accordance with the objective set out in Condition 12A of the Energy Supply Licences; and
  - (b) based on an up-to-date cost-benefit analysis.

## **3 Procurement of Theft Services by RECCo**

- 3.1 The REC Board shall procure and maintain:
  - (a) an Energy Theft Tip-Off Service (ETTOS) as described in Annex 1; and
  - (b) a Theft Risk Assessment Service (TRAS) as described in Annex 2.
- 3.2 Each Party shall provide such reasonable co-operation as the REC Board may request in relation to the procurement and maintenance of the Energy Theft Tip-Off Service and the Theft Risk Assessment Service.

## **4 Theft Estimation Methodology**

- 4.1 The REC Board shall establish and maintain a methodology for determining, for each instance of Energy Theft, the amount of gas or electricity which was the subject of such Energy Theft (to be known as the Theft Estimation Methodology).
- 4.2 Before establishing the Theft Estimation Methodology, the REC Board shall ensure that all interested persons are consulted, including:
  - (a) Parties;
  - (b) the Authority; and
  - (c) each and every expert appointed under an Energy Code for the purposes of quantifying losses of gas and/or electricity.
- 4.3 The Code Manager shall make the Theft Estimation Methodology available to Parties via the REC Portal.
- 4.4 Once the Theft Estimation Methodology has been established to the satisfaction of the REC Board, it shall be used as the conclusive means of determining for the purposes of this Code the amount of gas and/or electricity which was the subject of Energy Theft.

- 4.5 The REC Board shall ensure that the Theft Estimation Methodology is periodically reviewed in consultation with interested persons.
- 4.6 The REC Board shall report annually on Confirmed Energy Thefts, the amount of gas and/or electricity which was the subject of such Energy Thefts, and the progress that is being made in reducing that figure.

## **5 Theft Target Methodology**

- 5.1 The REC Board shall establish and maintain a methodology for determining annual targets for the number of Confirmed Energy Thefts to be identified by Energy Suppliers (to be known as the Theft Targets and the Theft Target Methodology).
- 5.2 Before establishing the Theft Target Methodology, the REC Board shall ensure that all interested persons are consulted, including:
- (a) Parties;
  - (b) the Authority; and
  - (c) Citizens Advice and Citizens Advice Scotland.
- 5.3 The Code Manager shall make the Theft Target Methodology available to Parties via the REC Portal.
- 5.4 The Theft Targets for individual Energy Suppliers will be used in relation to the Energy Theft Incentive Schemes, once those schemes have been established under this Code. Each Energy Supplier's Theft Targets will be notified to it in accordance with the arrangements for those schemes.
- 5.5 The REC Board shall ensure that the Theft Target Methodology is reviewed at least once every two years in consultation with interested persons.
- 5.6 In establishing and reviewing the Theft Target Methodology, the objective shall be to set Theft Targets that result in a net benefit to Consumers as compared to taking no action, taking into account the likely cost of identifying a Confirmed Energy Theft.

## **6 Definitions**

- 6.1 The definitions below are being included in this Schedule for the purposes of consultation only, they will in due course be embedded within Schedule 1: Interpretation

**"Confirmed Energy Theft"** means that the holder of an Energy Licence (or person acting on their behalf) reasonably determines that, on the balance of probabilities and taking into account all of the evidence then available, one or more instances of Energy Theft has occurred. Such a determination may not be made unless sufficient evidence is held to substantiate the occurrence of Energy Theft, including (as a minimum): (a) an indication of theft via a desktop review of consumption levels; and (b) a report of a site visit where access was successful; and (c) photographic (or sketch) evidence of the theft, including illegal connection/bypass or meter tampering.

**"Energy Theft"** includes: (a) circumstances described in paragraphs 5(1) (Restoration of connection without consent) and 6(1)(a) (Damage to electrical plant etc) of schedule 6 to the Electricity Act (in so far as they relate to an electricity supplier; (b) circumstances described in paragraph 6(1)(b) (Damage to electrical plant etc) of schedule 6 to the Electricity Act; (c) circumstances described in paragraph 11(1) (Interference with meters) of schedule 7 to the Electricity Act; (d)

circumstances described in paragraphs 10(1)(a) and 11(2) of schedule 2B to the Gas Act (in so far as they relate to a gas supplier); and (e) circumstances described in paragraphs 10(1)(b) and 10(1)(c) of schedule 2B to the Gas Act.

**"Energy Theft Tip-Off Service" "ETTOS"** is described in Annex 2 of the Energy Theft Reduction Schedule.

**"ETTOS Contract"** means each of the contracts from time to time between RECCo and an ETTOS Service Provider for provision of the Energy Theft Tip-Off Service.

**"ETTOS Liabilities"** means all costs, charges, expenses, professional fees, fines, damages and other liabilities incurred under or in connection with the Energy Theft Tip-Off Service (including the ETTOS Contract), whether in contract, tort (including negligence), for breach of statutory duty or otherwise.

**"ETTOS Service Provider"** means the person or persons with which RECCo contracts from time to time for provision of the Energy Theft Tip-Off Service.

**"ETTOS Recipient"** means each Energy Supplier, each Gas Transporter and each Distribution Network Operator.

**"ETTOS Service Data"** means the materials, information and other data received by ETTOS Recipients pursuant to the Energy Theft Tip-Off Service.

**"Theft Estimation Methodology"** is a methodology for determining, for each instance of Energy Theft, the amount of gas or electricity which was the subject of such Energy Theft, established and maintained by the REC Board under the Energy Theft Reduction Schedule.

**"Theft Reduction Strategy"** means a strategy designed to support Energy Suppliers in minimising Energy Theft, established and maintained by the REC Board under the Energy Theft Reduction Schedule.

**"Theft Risk Assessment Service" "TRAS"** is described in Annex 2 of the Energy Theft Reduction Schedule.

**"Theft Targets"** means the target number of Confirmed Energy Thefts to be identified by each Energy Supplier, to be determined in accordance with the Energy Theft Reduction Schedule.

**"Theft Target Methodology"** is a methodology for determining Theft Targets, established and maintained by the REC Board under the Energy Theft Reduction Schedule.

## **Annex 1: Energy Theft Tip-Off Service**

### **1 GOVERNANCE**

- 1.1 The REC Board may establish a Sub-Committee to oversee the Energy Theft Tip-Off Service (ETTOS).

### **2 FUNDING**

- 2.1 Subject to Paragraph 2.2, all ETTOS Liabilities incurred by RECCo (howsoever arising) shall constitute recoverable costs to be paid by Energy Suppliers pursuant to Clause 9 of the main body of this Code.
- 2.2 Paragraph 2.1 shall not apply in respect of ETTOS Liabilities to the extent that RECCo has a claim against another person in respect of such ETTOS Liabilities. Such other persons may include one or more of the ETTOS Service Provider, the ETTOS Recipients and/or the Code Manager. In the case of any such claim against any such person, RECCo shall take all reasonable steps and proceedings to pursue and recover any amounts to which it is entitled from such other persons, unless and until the REC Board determines (in consultation with Energy Suppliers) that there is no reasonable prospect of success.
- 2.3 Notwithstanding Paragraph 2.2 and the existence of any claim referred to in that Paragraph, pending the recovery of amounts pursuant to Paragraph 2.2, the ETTOS Liability in question shall constitute a recoverable cost to be paid by Energy Suppliers pursuant to Clause 9, subject to subsequent reconciliation once any amount is recovered pursuant to Paragraph 2.2.
- 2.4 RECCo shall take all reasonable steps to mitigate its ETTOS Liabilities.

### **3 PERFORMANCE ASSURANCE**

- 3.1 The REC PAB may require that a person that is reasonably independent of the Parties and the ETTOS Service Provider, undertakes a performance assurance audit in respect of the ETTOS, and reports to the REC PAB and the Authority on the outcome of such audit.
- 3.2 The REC PAB shall ensure that any such audit and report is undertaken in accordance with any relevant requirements stipulated in the Energy Supply Licences.

### **4 DATA PROTECTION & USE OF DATA**

- 4.1 The words and expressions in this Paragraph 4 that are not otherwise defined in this Agreement shall be interpreted in accordance with the Data Protection Legislation.
- 4.2 The obligations of the ETTOS Service Provider in respect of the Processing of Personal Data are dealt with in Paragraph 7.3(d).
- 4.3 In respect of the ETTOS Service Data, each ETTOS Recipient undertakes to only Process that data:
- (a) in accordance with Good Industry Practice;
  - (b) in accordance with the Data Protection Legislation, the Regulation of Investigatory Powers Act 2000, and the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000; and

- (c) for the purposes of receiving services pursuant to the Energy Theft Tip-Off Service and/or discharging its obligations pursuant to its Supply Licence, Gas Transportation Licence or Electricity Distribution Licence (as applicable).
- 4.4 Each ETTOS Recipient shall indemnify RECCo Ltd for any cost, claim or expense arising under the ETTOS Contract as a result of that ETTOS Recipient causing the ETTOS Service Provider to be in breach of any of the Data Protection Legislation, the Regulation of Investigatory Powers Act 2000, and/or the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000.
- 4.5 Without prejudice to the licence referred to in Paragraph 7.3(b), it is agreed that the ETTOS Service Provider retains ownership of the ETTOS Service Data.

## **5 CO-OPERATION**

- 5.1 Each ETTOS Recipient shall provide the ETTOS Service Provider with reasonable cooperation in all matters relating to the Energy Theft Tip-Off Service (provided that no ETTOS Recipient shall be obliged to incur material cost in so doing).
- 5.2 Each ETTOS Recipient shall compensate RECCo for all reasonable costs, charges or losses sustained or incurred by RECCo to the ETTOS Service Provider (excluding any loss of profit or loss of reputation):
  - (a) that arise from the ETTOS Recipient's fraud; and/or
  - (b) from any claim made against the ETTOS Service Provider (or its parent) by any third party arising from the ETTOS Recipient's failure to act on information provided by the ETTOS Service Provider under the Energy Theft Tip-Off Service.

## **6 CONFIDENTIALITY<sup>1</sup>**

- 6.1 Subject to Paragraphs 6.2 and 6.3, each ETTOS Recipient undertakes to treat the ETTOS Service Data as confidential and to safeguard it in accordance with Good Industry Practice.
- 6.2 The obligations of confidentiality in this Paragraph 6 shall not apply to the extent that:
  - (a) disclosure is required in accordance with the Relevant Instruments or any other law or by a court of competent jurisdiction or any regulatory body;
  - (b) such information was separately created or obtained by the Party seeking to make a disclosure without an obligation of confidentiality; and/or
  - (c) such information is already in the public domain at the time of disclosure otherwise than by a breach of this Agreement.
- 6.3 Each ETTOS Recipient may disclose the ETTOS Service Data to its agents and contractors insofar as is necessary for the purposes of receiving services pursuant to the ETTOS Contract and/or discharging its obligations pursuant to its Supply Licence, Gas Transportation or Electricity Distribution Licence (as applicable). Each ETTOS Recipient shall contract with its agents and contractors on provisions equivalent to this Paragraph 6, and shall be responsible for any disclosure and use

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<sup>1</sup> It is expected that these provisions will be replaced with general confidentiality clauses in the main body of the REC upon version 2.0 taking effect; retained here in order to complete the transitional text.



of such data by any such persons otherwise than in accordance with this Agreement.

## **7 LIABILITIES AND CLAIMS**

7.1 The limitations of liability set out in Clause 14 of the main body of this Code shall not apply in respect of any breach by a Party of this Annex 1, but the following shall instead apply in respect of such breaches:

- (a) nothing in this Paragraph 7.1 shall limit a Party's liability for death or personal injury caused by its negligence, or for fraud or fraudulent misrepresentation;
- (b) the Party in breach shall be liable for the losses that were reasonably foreseeable as likely to arise as a result of the breach (to be assessed at the time of the breach, and not at the time at which the Party became a Party); and
- (c) the Party in breach shall not be liable for the losses that were not reasonably foreseeable as likely to arise as a result of the breach (to be assessed at the time of the breach).

7.2 For the purposes of Paragraph 7.1, it is acknowledged and agreed that a breach of this Schedule by an ETTOS Recipient may cause RECCo to incur an ETTOS Liability to the ETTOS Service Provider.

7.3 RECCo shall contract with the ETTOS Service Provider on the basis that each ETTOS Recipient has a directly enforceable contractual right against the ETTOS Service Provider in respect of (as a minimum) the following (subject to and in accordance with the terms and conditions set out in the ETTOS Contract):

- (a) an obligation on the ETTOS Service Provider to only Process Personal Data it obtains in provision of the ETTOS Contract in accordance with the Data Protection Legislation and the ETTOS Contract;
- (b) a non-exclusive licence for the term of the ETTOS Contract to use the ETTOS Service Data for the purpose of detecting, investigating and preventing energy theft;
- (c) a non-exclusive licence for the term of the ETTOS Contract to use the ETTOS Service Provider's name and logo only for the purposes of promoting the Energy Theft Tip-Off Service to customers of the ETTOS Recipient; and
- (d) an obligation on the ETTOS Service Provider equivalent to the obligation set out in Paragraph 6.

7.4 Each ETTOS Recipient hereby agrees with RECCo Ltd in respect of any claim that the ETTOS Recipient may have against the ETTOS Service Provider in respect of the ETTOS Contract, to:

- (a) notify RECCo of any such claim;
- (b) irrevocably appoint and use RECCo as the ETTOS Recipient's exclusive agent (to the exclusion of itself and all other persons) to pursue, negotiate and conduct any such claims (which role RECCo may choose to delegate);
- (c) provide RECCo with all reasonable assistance requested by RECCo in respect of the conduct of such claims;
- (d) take all reasonable steps to mitigate any ETTOS Liabilities; and

- (e) where the ETTOS Recipient's claim relates to a claim by a third party against the ETTOS Recipient, not make any admission, settlement or payment in respect of such claim without first obtaining RECCo's consent (such consent not to be unreasonably withheld or delayed).

## **8 ETTOS SERVICE DESCRIPTION AND RECIPIENT OBLIGATIONS**

8.1 A full description of the Energy Theft Tip-Off Service is set out in the ETTOS Contract. The Energy Theft Tip-Off Service can be summarised as follows:

- (a) the ETTOS Service Provider makes itself available to receive tip-offs;
- (b) the ETTOS Service Provider seeks to match the tip-off to an Energy Supplier and if the ETTOS Service Provider can match the tip-off to an Energy Supplier, then the ETTOS Service Provider notifies the Energy Supplier of the tip-off;
- (c) if the ETTOS Service Provider cannot match the tip-off to an Energy Supplier, then the ETTOS Service Provider notifies the relevant Gas Transporter or Distribution Network Operator of the tipoff;
- (d) if the ETTOS Service Provider cannot match the tip-off to an Energy Supplier, a Gas Transporter or a Distribution Network Operator, then the ETTOS Service Provider logs the tip-off as unmatched; and
- (e) in addition to the above, where the ETTOS Service Provider identifies that there is a [Serious Safety Concern], then the ETTOS Service Provider contacts the National Gas Emergency Service or the relevant Distribution Network Operator, as applicable.

8.2 Each ETTOS Recipient shall:

- (a) provide a single point of contact for the ETTOS Service Provider to manage the exchange of information between the ETTOS Service Provider and that ETTOS Recipient in respect of the Energy Theft Tip-Off Service;
- (b) (subject to provision of the relevant details by the ETTOS Service Provider) establish and maintain an account by which it can access the online portal made available by the ETTOS Service Provider for the purposes of the Energy Theft Tip-Off Service (and the ETTOS Recipient accepts that the ETTOS Service Provider may validly send information to the ETTOS Recipient via such portal);
- (c) not request or retain more accounts or account logins in respect of the portal referred to in paragraph (b) above than the number that: (i) the ETTOS Recipient reasonably needs and (ii) it is entitled to in accordance with the allocation rules set out in [Paragraph 9]; and
- (d) provide reasonable support to the ETTOS Service Provider in relation to publicising the Energy Theft Tip-Off Service (provided that no ETTOS Recipient shall be obliged to incur material cost in so doing).

8.3 Each Gas Transporter and Distribution Network Operator shall ensure that data is provided to the ETTOS Service Provider to enable it to match tip-offs containing a full address to the relevant RMP, Energy Supplier and Gas Transporter and Distribution Network Operator. Such data shall be provided in such format and at such frequency as the ETTOS Service Provider reasonably requests.

- 8.4 Where an Energy Supplier receives a tip-off from the ETTOS Service Provider for a premises and fuel for which it is the Registered Supplier, the Energy Supplier shall read the tip-off within 10 Working Days and ensure that it is investigated in accordance with the [Revenue Protection Code of Practice]<sup>2</sup>.
- 8.5 Where an Energy Supplier receives a tip-off from the ETTOS Service Provider for a premises and fuel for which it is not the Registered Supplier, then it shall notify the ETTOS Service Provider (including details of the Registered Supplier, if known) within 10 Working Days.
- 8.6 Where a Gas Transporter or Distribution Network Operator receives a tip-off from the ETTOS Service Provider for a premises for which it is the relevant Gas Transporters or Distribution Network Operator (as applicable), it shall, within 10 Working Days:
- (a) identify the full address and notify this to the ETTOS Service Provider;
  - (b) identify the Registered Supplier and notify this to the ETTOS Service Provider or identify that there is no Registered Supplier and/or RMP (and notify this to the ETTOS Service Provider);
  - (c) (where applicable) comply with its obligations under the [Revenue Protection Code of Practice]; and
  - (d) if none of the above apply, then reply to the ETTOS Service Provider that no action can be taken, with the reason the tip-off could not be matched, so that the tip-off can be logged as unmatched.
- 8.7 Where a Gas Transporter or Distribution Network Operator receives a tip-off from the ETTOS Service Provider for a premises for which it is not the relevant Gas Transporter or Distribution Network Operator (as applicable), then it shall, within 10 Working Days, notify the ETTOS Service Provider (including details of the correct Gas Transporter or Distribution Network Operator, if known).
- 8.8 The results of any tip-off investigations initiated by Energy Suppliers should be fed into the TRAS Service Provider in accordance with Annex 2 to this REC Schedule.
- 8.9 Where a Party fails to comply with its obligations under this Paragraph 8, then the escalation process set out in Paragraph 10 shall apply.

## **9 ADDITIONAL SERVICES**

- 9.1 An Energy Supplier may, from time to time, request the provision of additional services or functionality pursuant to the ETTOS Contract; provided that the Energy Supplier pays the additional charges applicable to the additional services or functionality.
- 9.2 The additional services or functionality that can be requested, and the charges applicable to such additional services or functionality, are described in the [REC Charging Statement]<sup>3</sup>.
- 9.3 An Energy Supplier that wishes to obtain any of the additional services or functionality provided for in this Paragraph 9 shall submit its request to the Code Manager. As soon as reasonably practicable following receipt of each such request, RECCo shall procure that the ETTOS Service Provider provides the Energy Supplier

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<sup>2</sup> The current Revenue Protection and Theft Codes of Practice will be replaced as part of REC version 2.0.

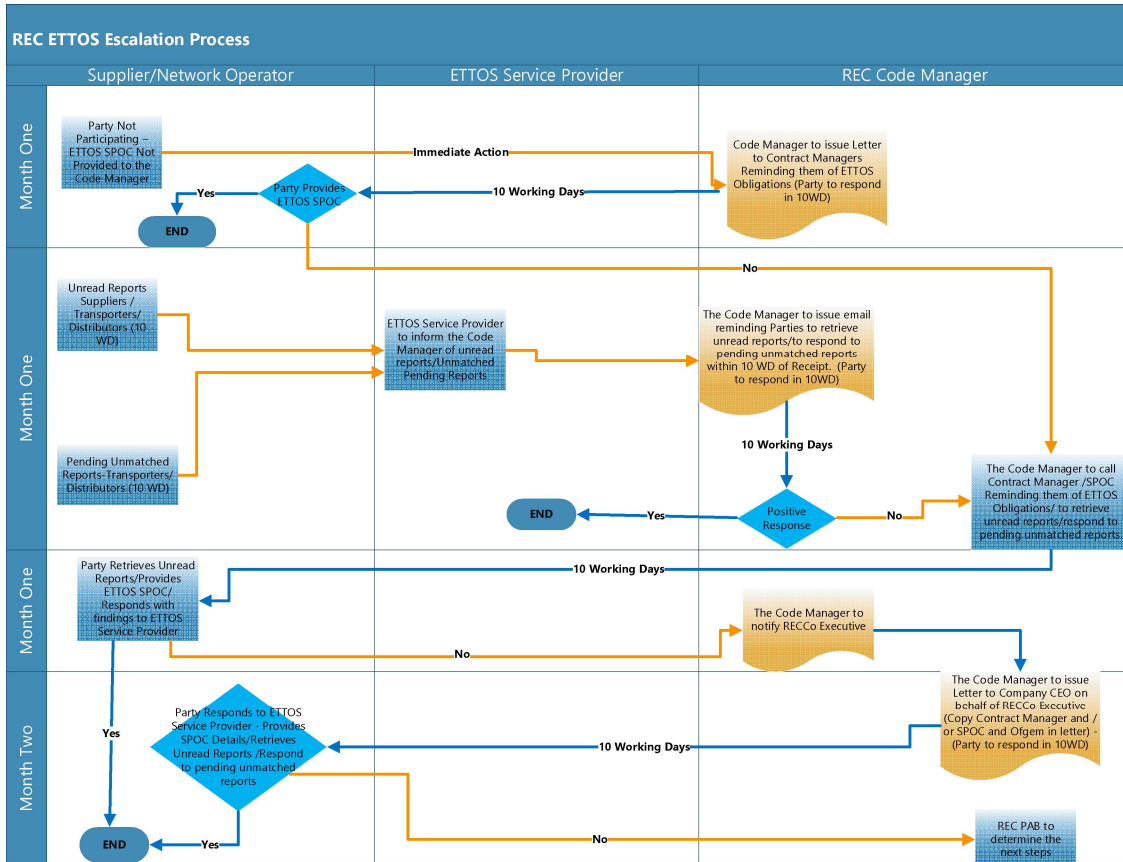
<sup>3</sup> The REC Charging Statement will come into effect with version 2.0. Until then, all REC costs will be recovered in accordance with Clause 9 of the main body of the Code.

with such additional services or functionality; subject to and in accordance with the provisions of the ETTOS Contract, and subject to payment by the Energy Supplier of the applicable charges.

9.4 RECCo Ltd shall invoice each Energy Supplier for the charges (if any) incurred by that Energy Supplier pursuant to this Paragraph 9 on or around the same date as it submits invoices under Clause 9 of the main body of this Code.

9.5 The REC PAB shall have the right to conduct an audit of any investigation undertaken by a Party following a tip-off under the Energy Theft Tip-Off Service.

**10 ETTOS Escalation Process [to be ratified by the REC PAB]:**



## **Annex 2: Theft Risk Assessment Service**

### **1 INTRODUCTION**

- 1.1 The Theft Risk Assessment Service (TRAS) is the service via which Energy Suppliers are intended to maintain the arrangements required by Condition 12A of the Energy Supply Licences in order to give effect to the objectives set out in that Condition (except to the extent covered by the ETTOS).
- 1.2 The content of this Annex 2 largely replicates the directions issued by the Authority on modification of the Energy Supply Licences to introduce Condition 12A, which set out the framework for the original TRAS procurement. Those directions have now expired. The content of this Annex is intended to clarify the minimal requirements of the TRAS, and inform any future procurement exercise.

### **2 GOVERNANCE**

- 2.1 The REC Board may establish a Sub-Committee to oversee the TRAS.

### **3 THE TRAS**

- 3.1 The REC Board shall ensure that the TRAS is designed, procured and delivered in the manner that is most likely to facilitate:
  - (a) the development, operation and maintenance of an efficient, economical and coordinated service;
  - (b) effective competition between Energy Suppliers;
  - (c) protection of information and security of information and systems; and,
  - (d) efficient and transparent administration and implementation of the service.
- 3.2 The REC Board must ensure that the TRAS Service Provider takes all reasonable steps to:
  - (a) secure the achievement of the objective under Condition 12A of the Energy Supply Licences; and
  - (b) avoid doing anything which jeopardises the ability of Energy Suppliers to achieve that objective.
- 3.3 The REC Board shall ensure that the TRAS Service Provider (as a minimum):
  - (a) identifies, collects, scrutinises and evaluates relevant information to profile the risk of Energy Theft at the premises of a Consumer;
  - (b) provides to the Registered Supplier all relevant information in respect of a premises that the Relevant Supplier may reasonably require to: (i) determine which premises to investigate for suspected Energy Theft; and (ii) facilitate that investigation of Energy Theft;
  - (c) on notification from a Party that a person has (or is suspected to have) committed Energy Theft, provides to the notifying Party all relevant information held by the TRAS Service Provider to facilitate compliance with that Party's Energy Licence obligations; and

- (d) provides such relevant information as a Party may reasonably request to support civil or criminal proceedings in respect of Energy Theft.
- 3.4 The REC Board must ensure that the TRAS Service Provider provides the information described in Paragraph 3.3 in a manner that is most likely to facilitate achievement of the objective referred to in Condition 12A of the Energy Supply Licences.

#### **4 APPOINTMENT OF THE TRAS**

4.1 The REC Board shall ensure that the TRAS is provided from [1 April 2021], or such later date as the Authority may agree following the submission by the REC Board of a detailed project plan for the development, procurement, and provision of the TRAS.

4.2 The RECCo Board shall ensure that the TRAS Service Provider:

- (a) is a suitable organisation, appointed on a competitive basis that is consistent with best industry practice relating to the procurement of a service such as the TRAS;
- (b) is appointed under a contract that: (i) secures value for money in terms of the combination of quality and cost over the lifetime of the contract; (ii) requires delivery of the required goods, services or works to appropriate standards according to the needs of the Parties; and (iii) incorporates (at a cost that is not disproportionate to any associated benefit) sufficient flexibility to adapt to the requirements of Parties over the duration of the contract; and
- (c) does not at any time hold or acquire investments by way of shares, securities, or associated rights of any kind in one or more Parties (or any Affiliates or Related Undertaking of any Party).

4.3 The REC Board shall ensure that the contract with the TRAS Service Provider enables Energy Suppliers to implement such practices and procedures in respect of contract management and contract performance as are necessary to ensure that they can at all times fulfil the requirements of their Energy Supply Licences.

4.4 Without limiting the general effect of Paragraph 4.3, the contract with the TRAS Service Provider must provide:

- (a) for Energy Suppliers to obtain the information referred to in Paragraph 3.3, and to be able to disclose such information to any third party where the Energy Supplier considers that doing so is necessary to promote the objective referred to in Condition 12A of the Energy Supply Licences;
- (b) for the termination of the contract with the TRAS Service Provider no longer meets the requirements of Paragraph 4.2(c); and
- (c) for the establishment of agreed quality of service information.

#### **5 No abuse of the TRAS' position**

5.1 RECCo shall take all reasonable steps to ensure that the TRAS Service Provider at all times manages and operates its services in a way that is calculated to ensure that it does not restrict, prevent, or distort competition in any of the markets for the provision of services described in this Annex.

5.2 RECCo shall take all reasonable steps to ensure that the TRAS Service Provider at all times carries on its activities in a manner that does not give any cross-subsidy

to, or receive any cross-subsidy from, any Affiliate or Related Undertaking of the TRAS Service Provider.

- 5.3 RECCo shall take all reasonable steps to ensure that the TRAS Service Provider does not unduly prefer one Energy Supplier (or class of Energy Supplier) over any other Energy Supplier (or class of Energy Supplier).

## **6 REPORTING**

6.1 RECCo shall ensure that:

- (a) the rules of operation of the TRAS are clearly documented and available to Parties; and,
- (b) the TRAS Service Provider arranges for such management information reports, performance assurance reports or other information as may reasonably be required by the REC Board, the REC PAB or any other Sub-Committee are prepared and made available in the timescales and to the quality specified.

## Annex 3: Theft Detection Incentive Scheme

### 1. INTRODUCTION

- 1.1 The Electricity Theft Detection Incentive Scheme previously governed under the Distribution Connection and Use of System Agreement (DCUSA) and the Gas Theft Detection Incentive Scheme previously governed under the Supply Point Administration Agreement (SPAA) have been combined into the Energy Theft Detection Scheme, referred to in the rest of this document as 'the Scheme'.
- 1.2 The Scheme (this Schedule) applies to all Supplier Parties and all Metering Points (electricity) and/or Supply Points (Gas).
- 1.3 The Scheme as drafted is expected to run for 12 months beginning 1 April 2021, being replaced with a revised incentive scheme from 1 April 2022 alongside a replacement for the existing TRAS.
- 1.4 The Scheme is concerned with the detection of Confirmed Thefts (as defined below). Supplier Parties shall ensure that in cases of a Confirmed Theft, appropriate remedial steps shall be undertaken to stop the theft of energy from continuing.
- 1.5 Nothing in this document shall preclude or override the completion of the 2020/2021 scheme year in accordance with the DCUSA and SPAA.

### 2. DEFINITIONS

- 2.1 In this Schedule, the following words or expressions shall have the meanings set out opposite them (unless the context requires otherwise):

Commercial Sector	means Metering Points for those premises that are for the time being identified as commercial for the purposes of the Theft Risk Assessment Service Arrangements.
Indicative Scheme Summary Report	is described in [Paragraph 6.6].
Qualifying Supplier Party	is a Supplier Party who has been active in the market throughout the whole Scheme Year (without prejudice to the operation of [Paragraph 5.9])
Scheme	means the Energy Theft Detection Incentive Scheme described in this Annex
Scheme Administrator	means RECCo, or a person who may be appointed to administer the Scheme on its behalf of RECCo.
Residential Sector	means Metering Points for those premises identified as residential for the purposes of the Theft Risk Assessment Service Arrangements.
Theft Detection Value	has the meaning given in Paragraph 4.

### 3. THEFT TARGETS

- 3.1 The Scheme will operate across both electricity and gas, with individual incentive pots being established for each of the two sectors in each fuel, currently defined as being either Residential or Commercial (electricity), Domestic or I&C (gas).
- 3.2 A Theft Target will be determined<sup>4</sup> and published no later than [1 March 2021] setting the targeted number of Confirmed Theft detections within the 2021/22 scheme year.

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<sup>4</sup> Subject to Ofgem consultation as part of REC v1.1



3.3 The overall Theft Target will be disaggregated to provide a separate Theft Target for each section of the Scheme, as referred to in Paragraph 3.1.

#### 4. THEFT DETECTION VALUE

4.1 Each theft detection will qualify for an incentive payment, the value of which shall be referred to as the "Theft Detection Value".<sup>5</sup> This value is based on the likely net cost to the supplier of having undertaken activity to detect the theft, as compared with having taken no action.

4.2 The Scheme Administrator, will establish a Theft Detection Value for each of section of the Scheme and publish that value alongside the 2021/22 Theft Target.

#### 5. INCENTIVE SCHEME POTS

5.1 The Scheme will provide each of the sectors with an individual 'pot'.

5.2 The size of the individual incentive pots will be calculated individually in advance of the 2021/22 scheme year, based on the following methodology:

$$(X * Y)$$

Where: *X = The 'Theft Target' for the Scheme Year, applying to the relevant section of the Scheme.*  
*Y = The 'Theft Detection Value', applying to the relevant section of the Scheme.*

5.3 Based on the formula set out above, RECCo or a person acting on behalf of RECCo, will publish the size of the individual incentive pots in a populated version of the following table:

	Electricity	Gas
Residential/Domestic	£ [ ] ( [ ] x £ [ ] )	£ [ ] ( [ ] x £ [ ] )
Commercial/I&C	£ [ ] ( [ ] x £ [ ] )	£ [ ] ( [ ] x £ [ ] )

5.4 The Supplier Party's individual Theft Target will be based on its market share figures, using the portfolio data made available to RECCo and in accordance with the figures used by it to produce the Q4 2020/21 RECCo invoice.

5.5 No later than [18 March 2021] RECCo, or a person acting on behalf of RECCo, will establish and confirm to each individual Supplier Party, and the Authority upon request, the Supplier Party's calculated Residential/Domestic Sector and Commercial/I&C Sector Theft Targets.

5.6 Where a calculated Theft Target is under 1, the Supplier Party will be exempt from the relevant Scheme Section for the 2021/22 Scheme Year unless that chose to opt in (by notice in writing to RECCo before 1 April 2021), in which case they will be assigned a Theft Target of 1.

5.7 Theft Targets of 1 and over will be rounded to the nearest whole number.

5.8 Supplier Parties which are exempt from a relevant Scheme Year and which do not opt into the Scheme, remain obligated under the standard conditions of their Supply Licence to prevent, detect and investigate theft.

5.9 If, following the date of the market share figures on which the Theft Targets were calculated but before the end of the 2021/22 Scheme Year, a Supplier Party

<sup>5</sup> Previously referred to as the Marginal Detection Disincentive Value or MDDV in SPAA.

purchases all (or substantially all) of a Qualifying Supplier Party's supply contracts, then the Scheme Administrator shall:

- (a) reduce to zero the selling Supplier Party's Theft Target(s) for that Scheme Year and the relevant scheme sector(s);
- (b) increase the purchasing Supplier Party's Theft Target(s) by the amount of the selling Supplier Party's Theft Target(s) as they existed prior to such reduction (or, if the purchasing Supplier Party was not previously a Qualifying Supplier Party, recognise that Supplier Party as a Qualifying Supplier Party and allocate the selling Supplier Party's Theft Target(s) to the purchasing Supplier Party); and
- (c) re-allocate any and all Confirmed Thefts in that Scheme Year previously identified as having been detected by the selling Supplier Party to the purchasing Supplier.

## **6. REPORTING CONFIRMED THEFTS**

- 6.1 Only submissions which meet the Confirmed Theft definition will be in scope for the Scheme and count towards Theft Targets.
- 6.2 From the start of the 2021/22 Scheme Year, Qualifying Supplier Parties will be required to record Confirmed Thefts, but only to submit them to RECCo via the REC Portal when this becomes available, being no later than 1 September 2021.
- 6.3 From 1 October 2021 onwards, the Code Manager acting in its capacity as scheme administrator, will produce and send to each Qualifying Supplier Party and the PAB, an anonymous overall Indicative Scheme Summary Report.
- 6.4 The format of the Indicative Scheme Summary Report will be developed by the Scheme Administrator in collaboration with the PAB, but should detail the aggregate number of Confirmed Thefts recorded for the relevant Scheme month for each Supplier Party against their relevant Theft Target.
- 6.5 The Scheme Administrator shall advise each Qualifying Supplier Party of their individual identifier within the anonymous Indicative Scheme Summary Report. The Scheme Administrator shall also provide the PAB with the identities of the Supplier Party to which each identifier relates.
- 6.6 Any Confirmed Theft not reported within the relevant timeframe as may be prescribed by the Scheme Administrator may be excluded from the 2021/22 Scheme. Only Confirmed Thefts identified within the specified start and end dates of the Scheme Year will be eligible for the 2021/22 Scheme Year.
- 6.7 The Scheme Administrator will issue an anonymous overall final report (the "Scheme Year Summary Report"), in accordance with the PAB calendar.

## **7. DEBITS AND CREDITS**

- 7.1 The Scheme Administrator will be responsible for the calculation of the financial debits and credits resulting from the Scheme, in accordance with the rules of the Scheme, utilising the information provided within the Scheme Year Summary Report.
- 7.2 All debits and credits associated with the Scheme Year will be calculated by the Scheme Administrator based on the total number of Confirmed Thefts shown within the final Scheme Year Summary Report, covering the full twelve-month period of the Scheme Year and utilising Supplier Party market share figures based on the figures utilised at the commencement of that Scheme Year.
- 7.3 Debits and credits resulting from the scheme will be calculated using the following formula:

$$(X*(STD / TTD)) - (X*FMPS)$$

except where FMPS equals zero when expressed to five decimal places, in which case no credit or debit will be applied.

Where: X is the total incentive pot value of the relevant section of the Scheme amended in line with the percentage change in CPI<sup>6</sup> between the index published for the start and the end of the Scheme Year.

STD is the number of Confirmed Thefts recorded by the Supplier Party.

TTD is the total number of Confirmed Thefts recorded in the Scheme Year.

FMPS is the final Metering/Supply Point market share of the Qualifying Supplier Party in the Scheme Year (being the Supplier's market share as a percentage of the Metering/Supply Points of all the Qualifying Suppliers based on the figures used at the start of the Scheme Year.

- 7.4 Once calculated, notification of the relevant debit and credit values will be communicated to each individual Qualifying Supplier Party by the Scheme Administrator, within 144 calendar days after the end of the Scheme Year.
- 7.5 The Scheme credits and debits will be undertaken by the Scheme Administrator via existing Supplier Party invoicing arrangements. All debit invoices issued under the Scheme will be subject to the normal payment terms as set out in the main body of the REC.
- 7.6 Non-payment of the Scheme debit invoices will be treated in the same manner as the non-payment of other RECCo Ltd invoices under the code, with the same sanctions being applicable.
- 7.7 The issuing of credits from The Scheme shall be done in such a way as to not discriminate between Qualifying Supplier Parties. This shall be achieved by paying out the proportion of the Scheme credits to all eligible Qualifying Supplier Parties commensurate to the proportion of The Scheme debits received at that time.

## **8. GENERAL**

- 8.1 All notices to Supplier Parties under or in relation to the Scheme are to be sent to its Contract Manager and to its single point of contact nominated for the purpose of the Performance Assurance.
- 8.2 Qualifying Supplier Parties may be required to self-certify (in a format determined by the PAB) that all Confirmed Thefts are in accordance with the definition of Confirmed Theft under this code.
- 8.3 The PAB reserves the right to conduct an audit of the Qualifying Supplier Party's evidence for Confirmed Thefts.

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<sup>6</sup> CPI figures to be taken from the prevailing figure produced by the Office for National Statistics