



DCUSA CHANGE REPORT

DCP 264 - Introduction of Energy Theft Tip Off Line Service

Executive Summary

DCP 264 seeks to introduce a new schedule to the DCUSA setting out obligations for Distributors and Suppliers in relation to the Energy Theft Tip Off Service (ETTOS).

This document presents the Change Report for DCP 264 and invites respondents to vote on the following:

- The legal text for DCP 264
- Whether DCP 264 better facilitate the DCUSA Objectives;
- The implementation date for DCP 264.

The voting deadline for DCP 264 is **15 June 2016**.

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 264 'Introduction of Energy Theft Tip Off Line Service'.
- 1.2 The voting process for the proposed variation and the timetable for the progression of the Change Proposal (CP) through the DCUSA Change Control Process are set out in this document.
- 1.3 Parties are invited to consider the proposed legal drafting amendments (Attachment 1) and submit their votes using the voting form (Attachment 2) to dcusa@electralink.co.uk no later than **15 June 2016**.

2 BACKGROUND OF DCP 264

- 2.1 Standard Licence Condition 12 of the Supply Licence and Standard Licence Condition 49 in the Distribution Licence place obligations on Suppliers and Distributors to detect and investigate theft. These are facilitated within the DCUSA via the Theft Code of Practice (Schedule 23) which sets out specific obligations on Suppliers and Distributors regarding theft.
- 2.2 As part of industry discussions regarding the introduction of a Theft Risk Assessment Service (TRAS), parties identified a requirement for a tip off service to enable members of the public to report suspected theft. Delivery of an Energy Theft Tip Off Service (ETTOS) was initially included in the scope of the TRAS and introduced into the DCUSA through DCP 201¹. When the TRAS Service Provider was appointed, SPAA and DCUSA requested that the TRAS Service Provider should work with the preferred ETTOS Service Provider to agree an operating model and sign a contract for services.
- 2.3 However in November 2015, SPAA and DCUSA determined that an acceptable contract could not be implemented between the TRAS Service Provider and the preferred ETTOS Service Provider. Therefore, a project was initiated to facilitate delivery of the ETTOS via a direct tripartite contract between SPAA, DCUSA and the ETTOS Service Provider. The ETTOS Contract between SPAA Ltd, DCUSA Ltd and the ETTOS Service Provider was signed in March 2016.

¹ DCP 201 - Provisions for the Theft Risk Assessment Service

- 2.4 This CP has been raised to remove references to the ETTOS from the TRAS Schedule (25), and introduce a new DCUSA Schedule which will include details of the service to be implemented.
- 2.5 DCUSA CP 264 was raised by E.ON UK and seeks to include provisions relating to the Energy Theft Tip Off Service in the DCUSA. An equivalent SPAA CP has been raised (draft SPAA CPD 16/325).

3 DCP 264 WORKING GROUP (TRAS TIP OFF LINE SUBGROUP)

- 3.1 The DCUSA Panel acknowledged that a Tip Off Line Subgroup has already been established to oversee the implementation of the Energy Theft Tip Off Service. Therefore, it would be more efficient to use this Tip Off Line Subgroup to assess the DCP 264, rather than creating a new Working Group. DCUSA Parties were provided with information regarding DCP 264 and the relevant Working Group meetings were held in open session so DCUSA Parties not represented on the Tip Off Line Subgroup could attend.
- 3.2 Prior to DCP 264 being formally raised, a Request for Information was issued to SPAA and DCUSA Parties in December 2015 seeking views from Gas Transporters, Electricity Distribution Network Operators (DNOs) and Suppliers regarding the proposed process for disseminating tip offs to Network Operators where the relevant Suppliers cannot be identified by the ETTOS Service Provider. Responses to this RFI were considered by the TRAS Tip Off Line Subgroup and have been included as Attachment 3.

Access to ECOES and DES

- 3.3 In their review of the RFI, the Working Group noted that the ETTOS Service Provider will use the Electricity Central Online Enquiry Service (ECOES) to identify the relevant Supplier or Distributor for electricity tip offs. The Working Group discussed whether the ETTOS Service Provider could also be given access to the Gas Data Enquiry Service (DES) to identify the relevant Supplier or Gas Transporter. It was noted that DES contains a significant amount of information that is not needed for the ETTOS service. Therefore, an alternative proposal was considered where the required data would be provided by Xoserve to the ETTOS Service Provider without requiring access to DES.
- 3.4 The Service Provider requires access to the relevant data via ECOES in electricity, or Xoserve in gas in order to disseminate the tip offs to the appropriate recipient.

Dissemination of Energy Theft Tip Offs

3.5 During its consideration of DCP 264, the Working Group agreed that there are three categories for disseminating tip offs as follows:

- The ETTOS Service Provider identifies the relevant Supplier through ECOES in electricity and via Xoserve data in gas and reports a tip off to the Supplier;
- Where the relevant Supplier cannot be identified, the ETTOL Service Provider issues the tip off to the relevant Gas Transporter or Electricity Distributor to help identify the specific address and/or the relevant Supplier; and
- Non specific Tip Offs - where the ETTOS Service Provider is unable to identify the specific address or relevant Supplier. It was noted that although these tip offs may not be relevant at the time of investigation they should be captured so that they are not lost as they may be relevant at a future date.

3.6 The group discussed how the tip off information would be reported between the ETTOS Service Provider and the Network Operators:

3.7 **Electricity** - It was observed that the ETTOS service provider would issue a tip off to the Distributors to help clarify an address or identify the Supplier. It was initially proposed that where the Distributor is able to identify the Supplier, then they would pass the tip off on to the relevant Supplier. However, Distributors expressed a preference for feeding this information back to the ETTOS Service Provider so that the tip off can be re-issued to the correct recipient.

3.8 **Gas** - The gas process is more complicated due to the involvement of Shippers. However, it was accepted that if a supply point is identified where there is a Shipper but no Supplier then the Gas Transporter can raise the issue on Xoserve's Contact Management Service (CMS) and it will be passed to the Shipper. It was noted that changes being brought in by Project Nexus will enable the relevant Supplier to be identified for iGT supply points using Xoserve data. Nexus Go Live is currently scheduled for 1 October 2016. It was highlighted that prior to the implementation of Project Nexus, tip offs may be issued to the iGT where the Supplier is not recorded or they would be issued to the Gas Transporter who would feed these back as unmatched.

3.9 The Working Group agreed that there should be a feedback loop for Network Operators to provide their findings, or Suppliers to highlight where they have received a tip off in error.

This feedback loop has been included in the ETTOS Operating Model.

- 3.10 The group noted that there are already requirements for Network Operators to cooperate and investigate theft within the SPAA and DCUSA Theft Codes of Practice, therefore this is not required within the ETTOS Schedule.
- 3.11 The group agreed that issuing a tip off to the Network Operators should be a last resort as it is expected that the ETTOS Service Provider will be able to match most tip offs to a relevant Supplier.

Contact Method

- 3.12 It is intended that the ETTOS Service Provider will utilise an email portal to disseminate tip offs. The Working Group therefore do not envisage that Parties will be required to make any changes to their systems to receive tip offs.

Consequential Code Changes

- 3.13 The group noted that there is already an obligation for Network Operators to cooperate and investigate energy theft in DCUSA Schedule 23 and the SPAA Schedule 33. Provisions relating to the ETTOS will form a new source of energy theft information that should be considered in accordance with these Schedules.
- 3.14 The Working Group observed that ETTOS should be a defined term in the SPAA and DCUSA codes stating that Parties shall receive tip offs from the ETTOS Service Provider to help investigate energy theft.
- 3.15 A new SPAA and DCUSA schedule should be introduced to address provisions relating to the ETTOS service. It was agreed that the ETTOS service should be documented separately to the TRAS Schedules to avoid confusion. Suppliers and Network Operators obligations need to be made clear.

4 DCP 264 CONSULTATION

- 4.1 One consultation was issued in relation to DCP 264. The DCP 264 consultation was issued to DCUSA Parties on 24 March 2016. There were 13 responses received to the consultation.
- 4.2 A summary of the responses received, and the Working Group's conclusions are set out below. The full set of responses and the Working Group's comments are provided in

Attachment 4.

Question 1 - Do you understand the intent of the CP?

4.3 All the respondents understood the intent of the CP.

Question 2 - Are you supportive of the principles of the CP?

4.4 All of respondents were supportive of the principles of the CP.

4.5 It was observed that in order to mitigate theft in the industry it is imperative that Suppliers and Network Operators work together and are able to share certain data to ensure that tip-offs can be effectively investigated.

Question 3 - Do you have any comments on the draft legal text?

4.6 The majority of the respondents agreed with the legal text for DCP 264, however some respondents raised concerns regarding the draft legal text.

4.7 One respondent suggested that the legal text would place an obligation on Gas Transporters to investigate tip offs that may have insufficient information to allow them to conclude the case and that additional text should be added to reflect instances where it is not possible to conclude tip offs sufficiently thus protecting parties from any liabilities. The Working Group noted that the legal text states that the Network Operator can inform the ETTOS Service Provider that no action can be taken where there is insufficient information.

4.8 Another respondent pointed out that there are no details provided as to how the unmatched data is stored, how often it is reviewed or processes to be followed once a Supplier is identified. The group concluded that the detailed process for dealing with unmatched tip offs should not be included in the legal text as the process would develop over time when there is more clarity over the number of unmatched tip offs.

4.9 It was observed that as it stands clause 5.2b of the draft legal text is an uncapped indemnity with very wide applicability and that some further explanation is required. The group noted that the Service Provider was not willing to provide the service without an indemnity from SPAA/DCUSA Ltd. The risk of claims against the Service Provider is relatively low, but from the Service Provider's perspective it does not intend to do anything further with the information once it has been reported to the relevant licensee. The risk of the indemnity could have been socialised amongst the industry, but it was thought more appropriate for the Party at fault to

bear the risk. The Working Group agreed that Clause 5.2b should remain as drafted.

4.10 A respondent highlighted that there is no reference to Management Information (MI) reporting within the ETTOS service description and that although this will be provided by the Service Provider there are no code obligations for Service Recipients to receive this. The group agreed that details of MI reporting are not required in the legal text. The reporting requirements and service levels are included in the ETTOS Contract which is available to SPAA and DCUSA Parties on request.

4.11 In their review of the legal text responses the Working Group agreed to make the following changes:

- Update the DCUSA text to refer to a Category A safety concern as defined in the Revenue Code of Practice.
- Amend the legal text in clause 8.5d to clarify that the Network Operator should provide the reason it could not match the tip off.
- Change 'theft investigations' to 'tip off investigations' in the ETTOS schedule.

4.12 The Working Group approved the legal text with the suggested amendments.

Question 4 - Do you consider that the proposal better facilitates the DCUSA/SPAA objectives? Please give supporting reasons.

4.13 The majority of respondents agreed that the DCUSA General Objectives One, Two and Three are better facilitated by DCP 264:

General Objective One - The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks

4.14 Respondents agreed with the Working Group view that General Objective One is better facilitated as reduced theft enables more accurate data about consumption to be utilised by Distributors. More accurate data gives Distributors more opportunity to manage their network in an efficient and economic manner.

General Objective Two - 'The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity'

4.15 The view was that General Objective 2 is better facilitated by DCP264 as the establishment of

an ETTOS service enables a more efficient and targeted approach to tackling theft of electricity. This more efficient action in tackling theft reduces costs and therefore helps facilitate competition in the supply of electricity.

- 4.16 A respondent pointed out that it is not clear how General Objective 2 would make a material difference to any aspect of energy industry competition. The group acknowledged the point with regards to Objective 2 and agreed that the impact on competition would be dependent on the effectiveness of the service.

General Objective Three - The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences

- 4.17 Respondents agreed with the Working Group view that General Objective Three is better facilitated as the provision of information relating to suspected theft to Distributors may assist Distributors in detecting theft in conveyance and meeting their requirements in Standard Licence Condition 49.

Question 5 - Are you supportive of the proposed implementation date of 5 working days following Authority decision?

- 4.18 The majority of respondents were supportive of the proposed implementation date of 5 Working Days following Authority decision.
- 4.19 One respondent pointed out that the implementation of the CP may require a longer lead time to allow Parties to communicate the changes across their business.
- 4.20 The group noted that the ETTOS Contract with the ETTOS Service Provider has been signed by SPAA Ltd and DCUSA Ltd, therefore the CPs should be implemented as soon as possible. In parallel with the progression of the CPs, a project will be undertaken to implement the ETTOS service which will engage all potential service recipients.

Question 6 - Do you have any other comments on the CP264?

- 4.21 Some of the respondents provided comments on the Introduction of ETTOS.
- 4.22 One respondent enquired what would happen if DNO/IDNOs are unable to identify the correct customer address in ECOES, is there an obligation for Network Operator to carry out further investigation on the reported tip off? The group noted that it is possible that the DNO/IDNO

may be able to identify the supplier, even if this information is not available on ECOES. If there is an address but no registered supplier, then the DNO/IDNO would be required to follow the process set out in the Theft Code of Practice. It was agreed that no additional information was required in the legal text to clarify this.

4.23 Another respondent suggested that there should be a template that contains minimum information to be passed onto Network Operators when a Supplier is not present on a site. It was noted that information to be reported is included in the ETTOS Service Provider Operating Model. The group did not believe that there should be a specified minimum level of information as it was better for tip offs to be passed to the Network Operator and investigated if possible. The legal text allows the Network Operator to report back if they are unable to find out any additional information in relation to the tip off.

4.24 It was observed that there is a month gap between the implementation of the Tip Off Line Service and Project Nexus go live date, therefore a process for IGTs to provide gas data may need to be set up in the interim period. The group agreed that the ETTOS Working Group will consider whether a process is required for IGTs ahead of Project Nexus implementation and should also confirm whether IGT data post Project Nexus is included in Xoserve's proposal.

Question 7 - Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

4.25 Two respondents pointed out the ETTOS service implementation may be impacted by some industry developments

4.26 One respondent suggested that the current review of the 'Confirmed Theft' and 'Theft of Gas' definition may have an impact on the implementation of the ETTOS service. The Working Group concluded that the ETTOS service is not impacted by the definition of confirmed theft, therefore it would not be appropriate to delay the implementation of the ETTOS service until after this definition is implemented.

4.27 Another respondent highlighted that there may an impact to the Tip Off Line reporting process, currently UNC modification 574S "Creating the Permission to Release Supply Point Data to the Theft Risk Assessment Service" is under development. It was noted that the UNC Modification 574 relates to TRAS and is not relevant to the ETTOS service.

4.28 This respondent also queried whether the implementation of the ETTOS service should be

delayed until after Xoserve's data cleansing project. The group noted that any improvement in gas data quality should assist the ETTOS process, however it was not appropriate to delay the implementation of the ETTOS until the data cleanse is complete.

5 WORKING GROUP ASSESSMENT OF DCP 264 FOLLOWING INDUSTRY CONSULTATION

5.1 After reviewing the consultation responses, the Working Group discussed the Change Proposal.

5.2 Members of the Working Group agreed with the Change Proposal solution and the legal text.

6 EVALUATION AGAINST THE DCUSA OBJECTIVES

6.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives. There are five General DCUSA Objectives and five Charging Objectives. The full list of objectives is documented in the CP form provided as Attachment 5.

6.2 The Working Group considers that the following DCUSA Objectives are better facilitated by DCP 264:

General Objective One - The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks

6.3 General Objective 1 is better facilitated as reduced theft enables more accurate data about consumption to be utilised by Distributors. More accurate data gives Distributors more opportunity to manage their network in an efficient and economic manner.

General Objective Two - 'The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity'

6.4 General Objective 2 is better facilitated as the establishment of an ETTOS service enables a more efficient and targeted approach to tackling theft of electricity. This more efficient action in tackling theft reduces costs and therefore helps facilitate competition in the supply of electricity. The overall impact on objective 2 will depend on the effectiveness of the ETTOS service.

General Objective Three - The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences

6.5 General Objective 3 is better facilitated as the provision of information relating to suspected theft to Distributors may assist Distributors in detecting theft in conveyance and meeting their

requirements in Standard Licence Condition 49.

7 IMPLEMENTATION

- 7.1 The proposed implementation date for DCP 264 is 5 Working Days following Authority decision.
- 7.2 The changes proposed by DCP 264 are classified as Part 1 matters and therefore will go to the Authority for determination after the voting process has completed.

8 DCP 264 WORKING GROUP CONCLUSIONS

- 8.1 The DCP 264 Working Group has discussed the proposed amendment to DCUSA.
- 8.2 The Working Group unanimously agreed that the legal text developed for DCP 264 meets the requirements set out in the CP. The Working Group agreed that the CP should be issued for industry voting.

9 ENGAGEMENT WITH THE AUTHORITY

- 9.1 Ofgem has been fully engaged throughout the development of DCP 264 as a member of the Working Group.

10 ENVIRONMENTAL IMPACT

- 10.1 In accordance with DCUSA Clause 11.14.6, the Working Group assessed whether there would be a material impact on greenhouse gas emissions if DCP 264 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

11 PROPOSED LEGAL TEXT

- 11.1 The legal text for DCP 264 is provided as Attachment 1.
- 11.2 The legal text sets out ETTOS obligations for Suppliers and Distributors. A new DCUSA schedule will be introduced to address provisions relating to the ETTOS service.
- 11.3 The legal text has been reviewed by external legal advisors.

12 PANEL RECOMMENDATION

12.1 The Panel approved this Change Report on 18 May 2016. The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 264.

12.2 The timetable for the progression of the Change Proposals is set out below:

Activity	Target Date
Change Report Agreed	18 May 2016
Change Report Issued For Voting	20 May 2016
Party Voting Ends	15 June 2016 ²
Change Declaration Issued	17 June 2016
Authority Decision	22 July 2016
Implementation	5 Working Days Following Authority Consent

13 NEXT STEPS

13.1 Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to DCUSA@electralink.co.uk by **15 June 2016**.

13.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA by email DCUSA@electralink.co.uk to or telephone 020 7432 3008.

14 ATTACHMENTS

- Attachment 1 – DCP 264 Legal Text
- Attachment 2 – DCP 264 Voting Form
- Attachment 3 – TRAS Tip Off Line RFI - Dissemination of Energy Theft Tip Offs
- Attachment 4 – DCP 264 Consultation
- Attachment 5 – DCP 264 CP Form

² To align with the SPAA Change Board meeting voting for the equivalent SPAA CP