

**SCHEDULE [xxx] - The Electricity Theft Detection
Incentive Scheme**

1. INTRODUCTION

- 1.1 This Schedule establishes and explains the process and obligations associated with the operation of the Electricity Theft Detection Incentive Scheme.
- 1.2 The Electricity Theft Detection Incentive Scheme (referenced as ‘The Scheme’ within the rest of this Schedule) applies to all Supplier Parties and all Metering Points.
- 1.3 The Scheme applies by reference to successive periods of 12 months beginning on [date TBC] (with each 12-month period forming a “**Scheme Year**”). The first Scheme Year will commence on [TBC].
- 1.4 The Scheme is concerned with the detection of Confirmed Theft (as defined in Clause 1.1 of the main body of this Agreement). Supplier Parties shall ensure that in cases of a Confirmed Theft, appropriate remedial steps shall be undertaken to stop the Theft of Electricity from continuing.

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):

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| Commercial Sector | means Metering Points for those premises 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 | has the meaning given in Paragraph 6.1. |
| Residential Sector | means Metering Points for those premises identified as residential for the purposes of the Theft Risk Assessment Service Arrangements. |
| Scheme | means the Electricity Theft Detection Incentive Scheme described in this Schedule. |
| Scheme Administrator | means the administrator appointed by the Panel from time to time to administer the Scheme on behalf of the Panel. |
| Scheme Year (or SY) | has the meaning given in Paragraph 1.3. |
| Scheme Year Summary Report | is described in Paragraph 6.11. |
| Theft Detection Value | has the meaning given in Paragraph 4. |
| Theft Methodology Review | has the meaning given in Paragraph 3.8. |
| Theft Target | in respect of SY1 is set out in Paragraph 3.6, and for subsequent Scheme Years is to be set as described in Paragraphs 3.7 to 3.14 (inclusive); and each Supplier's individual Theft Targets are as |

described in Paragraphs 5.4 to 5.6 (inclusive).

- 2.2 Save as set out in Paragraph 2.1, the words and expressions used in this Schedule shall be interpreted in accordance with Clause 1 of the main body of this Agreement.

3. THEFT TARGETS

- 3.1 The Scheme will be operated within two distinct sections, with individual incentive pots being established for both sections.
- 3.2 The two Scheme sections will be defined in respect of the Metering Points for 1) the Residential Sector and 2) the Commercial Sector.
- 3.3 The Scheme will be operated on the premise that a Theft Target is established and published in advance of the commencement of each Scheme Year, which determines the targeted number of Confirmed Theft detections within the stated Scheme Year period.
- 3.4 A separate Theft Target will be established for each section of The Scheme as referred to in Paragraph 3.2.
- 3.5 The Theft Target will subsequently be used to establish the size of The Scheme incentive pots for that Scheme Year (SY) as described in Paragraph 5.
- 3.6 For the initial Scheme Year (SY1) the Theft Target will be based upon a total of 34,000 Confirmed Theft detections per year¹ in aggregate across both sections of The Scheme. With a specific breakdown of 30,000 Confirmed Theft detections for the Residential Sector and 4,000 Confirmed Theft detections for the Commercial Sector.
- 3.7 For the Scheme Year 2 (SY2) the Theft Target and breakdown by sector will be set at the same level as SY1 unless there is sufficient data available for the Scheme Administrator to complete the Theft Methodology Review, as described in Paragraph 3.8.
- 3.8 The Panel shall ensure that the TRAS Service Provider undertakes a review during the second and each subsequent Scheme Year, known as the "**Theft Methodology Review**" to establish the overall Theft Target (and the relevant split of the overall target between The Scheme sections) for the following Scheme Year. The review activity will utilise any and all theft detection volumetric evidence available, including any information relating to historic theft detections pre SY1.
- 3.9 Where the TRAS Service Provider proposes, as part of the Theft Methodology Review, to change the Theft Targets or the split of Theft Targets between The Scheme sections, then the Panel shall ensure that the TRAS Service Provider provides Supplier Parties with a clear, evidence based rationale for all such proposed changes 40 Working Days prior to the commencement of the Scheme Year to which such proposed changes relate.

¹ Based upon Ofgem assumptions within their 'Tackling Electricity Theft: the way forward Final Impact Assessment' document Page 7.

- 3.10 The Panel shall ensure that the TRAS Service Provider will complete each Theft Methodology Review and publish the Theft Targets (as approved by the Panel), at least 10 Working Days before the commencement of the Scheme Year for which the Theft Targets will be relevant.
- 3.11 The Panel shall ensure that the output of the Theft Methodology Review will be an evidence based report that is made available to all Supplier Parties, the Panel and the Authority.
- 3.12 The Theft Targets set out in the report referred to in Paragraph 3.11 will be subject to the approval of the Panel. The Theft Targets will not need to be implemented by a Change Proposal and will not require approval by the Authority.
- 3.13 The detailed arrangements for determining Theft Targets for Scheme Years following SY2, and for preparing the annual Theft Methodology Review, are (or are to be) documented in the TRAS Contract.
- 3.14 Where the Theft Targets proposed by the TRAS Service Provider for a Scheme Year are not approved by the Panel, then the same Theft Targets as applied to the previous Scheme Year shall apply.

4. THEFT DETECTION VALUE

- 4.1 The Scheme will be established and operated on the premise that each theft detection will qualify for an incentive payment, the “**Theft Detection Value**”. For SY1 this value will be set at the rate of £400 per Confirmed Theft detection.
- 4.2 There will be a requirement on the Scheme Administrator to establish the precise split between the different types of theft, but a split of £12 million for theft in the Residential Sector, and £1.6 million for theft in the Commercial Sector shall be assumed at the outset. Such an assumption is based upon 30,000 Residential Sector and 4,000 Commercial Sector Confirmed Theft detections qualifying for the Confirmed Theft Detection Value at the rate of £400 per detection.
- 4.3 For future Scheme Years (after SY2), the Scheme Administrator shall adjust the Theft Detection Value in line with the relevant percentage change in the Consumer Price Index (CPI) or by another methodology as agreed by the Panel. The Theft Detection Value shall be published by the Scheme Administrator in adequate time ahead of the commencement of each Scheme Year.

5. INCENTIVE SCHEME POTS

- 5.1 The Scheme will provide the Residential Sector and Commercial Sector with individual incentive scheme pots.
- 5.2 The size of the individual pots for the Residential Sector and Commercial Sector will be calculated individually in advance of each Scheme Year, based upon the following methodology.

$$(X * Y)$$

Where:

X = The 'Theft Target' established for the Scheme Year, relevant to the Scheme sector

Y = The 'Theft Detection Value', relevant to the Scheme sector.

- 5.3 Based upon the formula detailed within Paragraph 5.2, the proposed size of the individual incentive pots for the Residential Sector and Commercial Sector for each of SY1 and SY2 will be as follows:

Table 1

Scheme Year 1

Residential Sector Incentive Pot: £12m (30,000 x £400)

Commercial Sector Incentive Pot: £1.6m (4,000 x £400)

- 5.4 The Supplier Party's individual Theft Target will (subject to Paragraph 5.6) be based on its market share figures for each Scheme Year, using the latest Metering Point portfolio data information held by the TRAS Service Provider based on consumption files submitted (or, if not available, data held by the Secretariat under the most recent report received under clause 27.6 of the MRA), at the time of the calculation under Paragraph 5.5.
- 5.5 10 Working Days before the commencement of each Scheme Year, the Scheme Administrator will establish and confirm to each individual Supplier Party (via its Contract Manager) and the Authority upon request, the Supplier Party's calculated Residential Sector and Commercial Sector Theft Targets. Where a calculated Theft Target is under 1, the Supplier Party will be exempt from the relevant Scheme Section (Residential Sector or Commercial Sector) for the relevant Scheme Year. Theft Targets of 1 and over will be rounded to the nearest whole number. A Supplier Party with a Theft Target of less than 1 can opt into The Scheme on an annual basis (by notice in writing to the Scheme Administrator before the start of each Scheme Year) if they choose to do so.
- 5.6 Where a Supplier Party ceases trading during a Scheme Year, the incoming Supplier that inherits the Metering Points pursuant to the Authority's supplier of last resort direction shall also inherit (and become responsible for) the Theft Target of the Supplier Party that has ceased trading (as calculated for that Supplier Party prior to the start of the Scheme Year).
- 5.7 Supplier Parties which are exempt from a relevant Scheme Year and which do not opt into The Scheme, are in no way relieved of their Supply Licence obligations to prevent, detect and investigate theft.

6. REPORTING CONFIRMED THEFTS

- 6.1 A "**Qualifying Supplier Party**" is a Supplier Party who has been active in the market throughout the whole Scheme Year and may include Supplier Parties whose target is less than 1, but who elect to be included in the Scheme. However, a Qualifying Supplier Party excludes any new market entrants that have entered the electricity market during that Scheme Year, or any Supplier Party that has successfully withdrawn from the market during that Scheme Year. This will ensure that those entering or leaving the market during a Scheme Year are not unfairly disadvantaged.

- 6.2 Only submissions which meet the Confirmed Theft definition will be in scope for The Scheme.
- 6.3 From the start of the Scheme Year, Qualifying Supplier Parties may report (and subsequently withdraw if necessary) Confirmed Thefts in accordance with the Theft Risk Assessment Service Arrangements.
- 6.4 The introduction of The Scheme will not change the content or type of data that must be submitted by Qualifying Supplier Parties to the TRAS Service Provider. All submissions will need to be undertaken, in terms of format, content and communication, in accordance with the prevailing Theft Risk Assessment Service Arrangements. The Panel shall ensure that the TRAS Service Provider provides the Scheme Administrator with details of the number of Confirmed Theft detections reported in accordance with the Theft Risk Assessment Service Arrangements each month.
- 6.5 The Scheme Administrator will produce and send to each Qualifying Supplier Party, the Panel and the Authority an anonymous overall Indicative Scheme Summary Report (for each of The Scheme months 1 to 11), within 10 Working Days of receipt of the monthly numbers referred to in Paragraph 6.4. Each Qualifying Supplier Party shall raise any issues with the accuracy of data within the Indicative Scheme Summary Report to the Scheme Administrator as soon as reasonably practicable and within 20 Working Days of the report being sent. Should any data within the Indicative Scheme Summary Report change as a result of an issue being raised within that period (but not later); a revised report will be issued to each Qualifying Supplier Party, the Panel and the Authority.
- 6.6 The Indicative Scheme Summary Report will be developed by the Scheme Administrator, but should detail the aggregate number of Confirmed Thefts recorded for the relevant Scheme month for each Supplier Party against their relevant Theft Target, separately within each of the Commercial Sector and the Residential Sector and the cumulative number of Confirmed Thefts recorded by all Supplier Parties, for each market sector, for the Scheme Year to date.
- 6.7 The Scheme Administrator shall advise each Qualifying Supplier Party of their individual identifier within the anonymous Indicative Scheme Summary Report. The Qualifying Supplier Party identifiers will also be provided to the Authority.
- 6.8 To be eligible for inclusion within The Scheme, any Confirmed Thefts reported within a TRAS reporting cycle must be provided to the TRAS Service Provider in accordance with the Theft Risk Assessment Service Arrangements. This will ensure that Qualifying Supplier Parties report Confirmed Thefts in a consistent and timely manner, preventing the build-up and submission of bulk reports, which may cause a skewing of information reported on a monthly basis or towards the end of the Scheme Year.
- 6.9 Any Confirmed Theft not reported within the relevant timeframe required by Paragraph 6.8 will be excluded from The Scheme. It will not be possible for late Confirmed Theft reports to be presented for the year following the Scheme Year in which the Confirmed Theft was identified, as only thefts identified within the specified start and end dates of the Scheme Year will be eligible for that Scheme Year.
- 6.10 The Panel shall ensure that the TRAS Service Provider provides the Scheme Administrator with an annual report, detailing the number of Confirmed Thefts

reported by each Qualifying Supplier Party that meets the requirements set out in Paragraph 6.9 for each Scheme Year, between 119 and 124 calendar days after the end of a Scheme Year. For visibility and reporting purposes only, the TRAS Service Provider will be required to record and report to the Scheme Administrator details of any Confirmed Theft reports which are not able to be applied to any particular Scheme Year. Whilst any such Confirmed Theft report will not be able to be applied to the Scheme, all thefts should be considered as part of the Theft Methodology Review activity undertaken annually by the TRAS Service Provider.

- 6.11 The Scheme Administrator will issue an anonymous overall final report (the “**Scheme Year Summary Report**”), within 20 calendar days after receipt of the final report from the TRAS Service Provider, to each Qualifying Supplier Party, the Panel and the Authority, detailing the total number of valid Confirmed Theft recorded for the Scheme Year for each Qualifying Supplier Party against their relevant Theft Target separately within each of the Commercial Sector and the Residential Sector, and the cumulative number of Confirmed Thefts recorded by all Qualifying Supplier Parties for each sector, for the whole Scheme Year.

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, as per Paragraph 5.4 (subject to Paragraph 5.6).

This will be done using the following formula:

$$(X \cdot (STD / TTD)) - (X \cdot MMS)$$

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

Where:

X is the total value of the scheme amended in line with the percentage change in CPI² 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.

MMS is the Metering Point market share in accordance with Paragraphs 5.4 and 5.6 (excluding the Metering Points of any Supplier Party that is exempt and does not opt in under Paragraph 5.5) of the Supplier Party expressed to four decimal places.

² CPI figure to be taken from the prevailing figure published by the Office for National Statistics.

- 7.3 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.
- 7.4 For ease of administering the process for issuing The Scheme credits and debits, this activity 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 Clause 8 of the main body of this Agreement.
- 7.5 Non-payment of The Scheme debit invoices will be treated in the same manner as the non-payment of other DCUSA Ltd invoices under this Agreement, with the same sanctions being applicable. Notification of non-payment will also be reported to the Authority for information.
- 7.6 Arrangements should be such that DCUSA Ltd is never faced with a financial deficit associated with The Scheme.
- 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 Qualifying Supplier Parties will be required to self-certify (in a format determined by the Panel) that all Confirmed Thefts are in accordance with the definition of Confirmed Theft under this Agreement.
- 8.2 The Panel reserves the right to conduct an audit of the Qualifying Supplier Party's evidence for Confirmed Thefts.