

DCUSA DCP 288, 288A and 288B Consultation Two		At what stage is this document in the process?
<h1 data-bbox="119 369 1101 593">DCP 288, 288A and 288B 'Introduction of the Electricity Theft Detection Incentive Scheme'</h1> <p data-bbox="119 660 742 705">Date Raised: 12 December 2016</p> <p data-bbox="119 728 670 772">CP Status: Standard Change</p>		<div data-bbox="1189 369 1348 436">01 – Change Proposal</div> <div data-bbox="1189 459 1412 526">02 – Consultation</div> <div data-bbox="1189 582 1348 649">03 – Change Report</div> <div data-bbox="1189 683 1348 750">04 – Change Declaration</div>
<p data-bbox="119 884 582 918">Purpose of Change Proposals:</p> <p data-bbox="119 940 1412 1052">The intent of DCP 288 and 288A is to introduce an Electricity Theft Detection Incentive Scheme in line with Ofgem’s decision document entitled “Tackling electricity theft – the way forward” published on 4th March 2014.</p> <p data-bbox="119 1075 1356 1187">DCP 288B seeks to create an equitable scheme which suitably incentivises detection of electricity theft without distorting competition and hampering effective functioning of the market.</p>		
	<p data-bbox="231 1220 941 1254">This consultation is seeking the industry’s view on:</p> <ul data-bbox="279 1276 1388 1500" style="list-style-type: none"> • a number of options for submitting electricity Metering Point data for the purpose of the Electricity Theft Detection Incentive Scheme; • the two alternative change proposals, DCP 288A and DCP 288B, that have been raised after the first consultation; and • the theft target volumes and value. <p data-bbox="231 1534 1452 1668">Parties are invited to consider the questions set in section 9 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by 14 September 2017.</p> <p data-bbox="231 1713 1404 1780">The Theft Issues Group will consider the consultation responses and determine the appropriate next steps for the progression of the CP.</p>	
	<p data-bbox="231 1825 1093 1915">Impacted Parties: Suppliers (DCP 288 and DCP 288A) Suppliers and Distributors (DCP 288B)</p>	
	<p data-bbox="231 1948 1340 2027">Impacted Clauses: 1.1, new Schedule xx (Electricity Theft Detection Incentive Scheme)</p>	

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Timetable			Alexander.Mann@gazprom-energy.com
The timetable for the progression of the CP is as follows:			
Change Proposal timetable			
Activity	Date		
DCP 288 Initial Assessment Report Approved by Panel	21 December 2016		
Consultation One issued to Parties	17 February 2017		
DCP 288A Raised	14 April 2017		
DCP 288B Raised	25 July 2017		
Consultation Two issues to Parties	22 August 2017		
Change Report issued to Panel	11 October 2017		
Change Report issued for Voting	20 October 2017		
Party Voting Ends	10 November 2017		
Change Declaration Issued to Parties and Authority	14 November 2017		
Authority Decision	19 December 2017		
Implementation Date	1 February 2018		

1. Summary

- 1.1 The intent of this consultation is to seek the industry's view on the following elements of the Electricity Theft Detection Incentive Scheme (ETDIS):
- Metering Point submission process;
 - DCP 288A and DCP 288B alternatives being proposed; and
 - The theft target volumes and value.
- 1.2 In March 2014, British Gas raised Supply Point Administration Agreement (SPAA) change CP 14/268 "Introduction of The Gas Theft Incentive Scheme". This change was raised in line with the principles set out by Ofgem within their decision document entitled "Tackling gas theft: the way forward" published on 26th March 2012.
- 1.3 On 26th October 2015 Ofgem approved CP 14/268 which introduced a gas theft detection incentive scheme into the SPAA and this DCUSA change proposal has been raised to enable an equivalent incentive scheme to be introduced into the electricity market. The proposed electricity incentive scheme rules have been drafted based on the rules approved under SPAA CP 14/268 and the subsequent amendments made via SPAA CP 16/327 which was approved by Ofgem and implemented to the SPAA on 14 March 2017. The Gas Theft Detection Incentive Scheme went live on 01 June 2017.

DCP 288 Previous Consultation

- 1.4 The first DCP 288 consultation was issued on 17 February 2017 seeking industry opinion on the electricity incentive. Responses to the consultation and Working Group comments are given as Attachment 2. This consultation builds on the industry opinion and seeks views on the development of the CP.

Discussions following Consultation One

Metering Point Submission Process

- 1.5 During its assessment of the theft target commercial and residential split values the Theft Issues Group (TIG) recognised that currently the Metering Points are received as a total and not split by residential and commercial as required under the incentive scheme.
- 1.6 To effectively implement the ETDIS, theft detection and investigation should be split by the commercial and residential sectors to enable the calculation of theft incentive targets for individual Suppliers. In addition, the principles of Ofgem's Impact Assessment published in 2012 supports such methodology for the implementation of an ETDIS.
- 1.7 Currently, the DCUSA Secretariat, ElectraLink receive Metering Points as a total of the Supplier's registered customers, however this is not split by residential and commercial customers. The TIG identified the need to agree on a Metering Point submission process in lieu of finalising the overall methodology of the ETDIS. This is discussed further under section 3.

Alternative CPs

- 1.8 During their review of the consultation responses the TIG noted that one of the respondents wished to raise an alternative CP proposing to introduce, in their view, a fairer approach to the ETDIS for independent Suppliers. The alternative CP, DCP 288A was raised on 14 April 2017. It is similar in principle to the original CP but proposes a different solution for calculating the theft target for independent Suppliers. The theft target for Suppliers with less than 2 million Metering Points will be adjusted by a percentage each year. The adjustment percentage will start at 33.3% of their Confirmed Theft target for scheme year 1, increasing to 66.6% for scheme year 2 and increasing to the maximum 100% in scheme year 3.
- 1.9 The second alternate, DCP 288B was raised on 25 July 2017. Through DCP 288B the proposer seeks to create what it considers would be an equitable scheme which suitably incentivises detection of electricity theft without distorting competition and hampering effective functioning of the market. The proposer's aim is to create a scheme which it believes would appropriately incentivise suppliers to detect theft whilst not running the risk of cross-subsiding the theft detection efforts of other suppliers in an inefficient manner.
- 1.10 The sponsors and the TIG agreed to consult on the proposed solutions for DCP 288A and DCP 288B. This is discussed in sections 4 and 5.

2 Governance

Justification for Part 1 Or Part 2 Matter

- 2.1 DCP 288, DCP 288A and DCP 288B are classified as Part 1 matters because:
- a) They are likely to have a significant impact on the interests of electricity consumers as the cost of electricity theft are borne by all consumers and this change seeks to incentivise Suppliers to detect theft and thereby reduce costs to consumers and
 - b) They are likely to have a significant impact on competition in:
 - i. the supply of electricity (DCUSA Para 9.4.2 (c));as those Suppliers who perform well in detecting theft will be rewarded for meeting their Theft Target but those that do not meet their Theft Target will contribute to the costs of the scheme.

Requested Next Steps

- 2.2 Following a review of the consultation responses, the TIG will consider the solutions for the DCP 288, DCP 288A and DCP 288B.

3 Electricity Metering Point Submission Options

- 3.1 Currently the Secretariat receives the Metering Point data as a total of the Supplier's registered customers and not split by residential or commercial. To effectively implement an ETDIS, theft detection and investigation should be split by the commercial and residential sectors to enable the calculation of theft incentive targets for individual Suppliers. It is noted that some Suppliers operate as commercial or residential only, therefore it is important to calculate the market share separately to provide a more appropriate theft target for the different sectors.
- 3.2 The TIG considered the following four options for the submission of Metering Point data for the purposes of the incentive scheme.

Option 1 - Supplier Self – certification

- 3.3 This option would add a requirement on Suppliers to submit Metering Point data split by residential and commercial at the beginning of the scheme year, as well as provide an annual self-certification for the purposes of the incentive scheme. It is noted that this process depends on Suppliers to provide the required information and adds more work for Suppliers to self- certify.

Option 2 - Measurement class /profile class

- 3.4 Metering Point data provided by the Distribution Network Operators (DNOs) would be split based on Measurement Class and Profile Class to differentiate residential and commercial. Currently DNOs submit Metering Point data as a total as there is no requirement to split this information out. The TIG noted that Measurement Class and Profile Class information is not always accurate in determining the difference between a commercial and residential account. Although residential customers are only identified under Profile Class 1 and 2, some smaller commercial customers are identified within Profile Class 1 to 4. Therefore, it will be difficult to determine the split between commercial and residential Metering Points using Profile Class or Measurement Class.

Option 3 - Ofgem Market Monitoring Reports

Supplier Report

- 3.5 Suppliers currently issue a report of the total number of Metering Points held to Ofgem. Data is submitted on a range of variables, including Metering Points, gains and losses, erroneous transfers, internal switching and switching delays. This is a voluntary request submitted monthly or quarterly, depending on the data type. Currently only the larger Suppliers are reporting to Ofgem. For this report to be used, all Suppliers would be required to report to Ofgem with Metering Point data split by residential and commercial. The submission timelines need to align with the beginning of the incentive scheme year or vice versa.

Distribution Network Operator Report

- 3.6 Electricity and Gas network operators send Ofgem data on Metering Point numbers, gains, losses and other features of the switching process. This is a mandatory request and covers the whole market, it includes regional breakdowns and a residential/non-residential split. Most data is submitted to Ofgem in the form of a monthly report. Each DNO provides the data for their regional area, at the supplier level, broken down by consumption Profile Class and other features.

Option 4 - Theft Risk Assessment Service (TRAS) data submission process

- 3.7 Currently Suppliers provide Metering Point data split by residential and commercial to Experian as the TRAS Service Provider. The TRAS Service Provider would provide the number of Metering Points split by residential and commercial at the beginning of the incentive scheme year to support the calculation of a theft target.
- 3.8 The TIG noted that Suppliers are currently reporting confirmed theft through TRAS. If data is not submitted for the current month the previous month data could be used. The Secretariat can use the already provided total number of Supplier points from DNOs and compare with TRAS data.
- 3.9 However, TRAS does not account for all Metering Points, not all Suppliers are submitting data to the TRAS. In addition, some Suppliers are failing to submit data monthly as required. This process will only work if all Suppliers with registered Metering Points submit data to TRAS and there are no failed file submissions. It is noted that if data is not submitted for the current month the previous month data could be used.

Pros and Cons of the four Options:

Option	Advantages	Disadvantages
1 - Supplier Self – certification	There should be a level of trust for Suppliers to provide their Metering Points.	This process relies on Suppliers to provide the required information. Adds more work for Supplier to self-certify.
2 - Measurement class /profile class	All Metering Point data provided by DNOs.	Measurement class and profile class information is not accurate in determining the difference between a commercial and residential account.
3 - Ofgem Market Monitoring Report	Already a requirement on Suppliers and DNOs to provide information to Ofgem.	Like Option 1 this process relies on Suppliers to provide the required information. DNO data will have the same concerns as option 2 re accuracy.
4 - TRAS data submission process	Suppliers currently reporting confirmed theft through TRAS. If data is not submitted for the current month the previous month data could be used. Validation process - The Secretariat can use the already provided total number of Metering Points from DNOs and compare	TRAS data does not account for all Metering Points – not all Suppliers are submitting TRAS data Some Suppliers may fail to submit files for the month.

	<p>with TRAS data.</p> <p>Audit check and balances to be put in place by Secretariat.</p> <p>Both the DCP 288 and DCP 288A proposers agreed to progress with Option 4.</p>	
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Question 1 is asking which of the four options do you support and why?

TIG Recommendations

- 3.10 Having considered the arguments for and against the proposed options the TIG agreed to progress with the TRAS data submission process (option 4) for the submission of Metering Point data for the purposes of the incentive scheme. Currently Suppliers are required to submit consumption data spilt by commercial and residential to the TRAS Service Provider. The TRAS Service provider would be required to provide a Metering Point Report at the beginning of the Scheme Year.
- 3.11 The TIG considered the costs associated with Experian providing the report. It was noted that a Contract Change Notification (CCN) should be raised for the TRAS Service Provider to access whether they could provide the required report and at what cost. A CCN was raised for the TRAS Service Provider to provide a report of Metering Points split by commercial and residential. For the purposes of the incentive scheme the annual report would need to include the count of unique Metering Points including related Metering Points broken down per Supplier. The numbers would be split between residential & commercial sectors based on the latest monthly Consumption File data submitted before validation has been completed (raw files). The total number of unique Metering Points per Supplier will also be validated by ElectraLink using DNO information separately received.
- 3.12 It is noted that where a Supplier fails to submit a monthly Consumption File (or a file fails validation), the Supplier's previous month's Consumption File should be used (maximum of 2 months in arrears). Example, no file in April so check March, if no file try February. If still no file then return the information back as 'No Data'. The numbers are to be calculated and submitted to Electralink no later than 10 WD from the closure of the RIRD window.
- 3.13 The TIG considered whether there should be a default value for Suppliers that fail to submit files to the TRAS Service Provider. It is noted that Suppliers not yet signed up to the TRAS or under a derogation will not be able submit consumption files.

Question 2 is seeking views on the proposed approach for when a file is missing. Please provide your rationale.

Question 3 is asking what default value should be put in place for a new Supplier that has

not Submitted a file.

- 3.14 The TRAS Service Provider carried out an impact assessment of the requested report and confirmed that the report could be provided at a cost of £1,676 for providing the report at the beginning of the scheme year. It is expected the first report will be provided in Quarter 1 of 2018 in line with the proposed start date of the first scheme year.

Question 4 is seeking views on the TIG's recommendation for Option 4 – TRAS data submission process. The TRAS Service Provider will provide a Metering Point Report at the beginning of the Scheme Year. Please provide your rationale.

Question 5 is seeking views on the use of the TRAS data for the purposes of the electricity incentive scheme. Please provide your rationale.

Question 6 is seeking information on whether the other options should be considered further. Please provide your rationale.

4 Alternative DCP 288A

- 4.1 This consultation is also seeking industry views on the alternative change proposal DCP 288A.
- 4.2 First Utility raised DCP 288A which in its view would seek to introduce a fairer approach to the ETDIS for independent Suppliers. The Alternative CP is similar in principle to the original CP. However, unlike the original CP the theft target for Suppliers with less than 2 million Metering Points will be adjusted by a percentage each year. The adjustment percentage will start at 33.3% of their Confirmed Theft target for scheme year 1, increasing to 66.6% for scheme year 2 and increasing to the maximum 100% in scheme year 3.
- 4.3 Suppliers with more than 2 million electricity Metering Points will be responsible for the remaining Confirmed Theft target based on market share percentage. This is to ensure that the overall Confirmed Theft target is not reduced.
- 4.4 The proposer explained that the reason for the proposed approach is that in its view consumers who switch from large to small Suppliers are less likely to engage in energy theft; therefore larger Suppliers should be responsible for investigating a larger proportion of energy theft. By moving to a smaller Supplier on a fixed tariff, the proposer considered that consumers are reducing their energy bill so would not steal energy. Members of the TIG argued that this is not the case; consumers switch from large to small suppliers to avoid detection. The TRAS has shown that consumers engaging in energy theft are likely to switch to a smaller Supplier once they find out they are under investigation.
- 4.5 The TIG raised concerns that the Alternative CP does not have quantifiable evidence to support the reasoning behind the proposed approach for calculating the theft target. It is important to be

careful of making assumptions about the behaviours of those that are stealing energy. The alternative CP methodology is based on the assumption that customers stealing energy are less likely to switch to smaller Suppliers therefore small Suppliers should not be responsible for the large numbers of confirmed thefts. However, there is no justification that customers who switch to small Suppliers are not stealing energy. It could be said that customers switch to small Suppliers to avoid detection.

- 4.6 It was highlighted that a similar CP was raised during the development of the Gas Incentive Scheme but was rejected by the Authority. To ensure a fairer approach for smaller Suppliers it was agreed that Suppliers with a theft target of less than 1 will not be included in the scheme; those Suppliers can choose to opt in. Although this might create a smaller safe-haven for energy theft, all Suppliers are still mandated to investigate theft. Regardless of the agreed theft target all Suppliers would still be obligated to participate in the theft arrangements as set out in the supply licence conditions and under the SPAA and DCUSA codes.
- 4.7 The TIG noted that there should be a clear difference between the original and the alternative CP. The proposer argued that the alternative CP provides a softer landing for Suppliers to get up to speed with the scheme. The alternative CP does not drastically change anything from the originally proposed solution. It aims to protect small and mid-tier Suppliers. New entrants would know in advance and prepare rather than benefitting from a soft landing. A member of TIG argued that it is not fair to allow soft landing only for those Parties already in the market. Also, if a Supplier has both Gas and Electricity Metering Points they will have different incentives because the theory behind the scheme is different.
- 4.8 The TIG also questioned whether the DCP 288A legal text would only apply for the first scheme year highlighting that if the scheme is run for 15 months for the first scheme year, then this exempts new Suppliers for a period of 15 months. Under this scheme new Suppliers will not have the same soft landing as existing Suppliers already on the scheme. The TIG questioned whether soft landing should only apply to the first year or for scheme year two and whether it should incorporate Industrial & Commercial (I&C) Suppliers.

Questions 7 and 8 are seeking views on whether the scheme proposed under DCP 288A should consist of 12 months only and how Suppliers should be treated during the first and second scheme years. Please provide your rationale to each question.

Question 9 is seeking views on whether the scheme should incorporate I&C Suppliers. Please provide your rationale.

Legal Text

- 4.9 The DCP 288A legal text is the full text of DCP 288 with changes to show the proposed solution. Changes have been made to the incentive scheme pots calculation and debits and credits sections.

4.10 The proposed legal text is provided in Attachment 3.

Questions 10 and 11 are seeking views on the proposed solution for DCP 288A and legal text

5 Alternative DCP 288B

- 5.1 Gazprom Marketing and Trading Retail Limited raised another alternative proposal DCP 288B which in its view seeks to create a scheme whereby Suppliers are appropriately incentivised to detect theft but do not run the risk of cross-subsiding the theft detection efforts of other suppliers in an inefficient manner (Attachment 6). The proposer notes that it is wrong to assume that levels of electricity theft are equally distributed across the portfolios of all electricity suppliers in accordance with each supplier's market share as proposed by DCP 288.
- 5.2 Without this change, it is argued, there will then be a serious risk that suppliers will not be appropriately incentivised to carry out theft detection activities in a manner which does not distort competition and hamper the effective functioning of the market.
- 5.3 The proposer is of the view that electricity theft is not equally distributed across each Supplier's customer portfolio in accordance with its market share as proposed by DCP 288 and already implemented under SPAA CP 14/268 and CP16 327 - Gas Theft Detection Incentive Scheme. There is therefore a danger that the ETDIS, as currently structured, creates a cross-subsidy from Suppliers who may have a lesser proportion of theft within their portfolio than their market share might suggest to those Suppliers where the reverse is true.
- 5.4 The proposer believes that an appropriate solution to the potential flaws in the current proposed arrangements would be to retain the overall incentive pot for the industry as a whole, divided into residential and non-residential pots, but remove the individual supplier targets and incentivise each supplier to investigate all leads provided to it by the TRAS Service Provider or an electricity Distribution Network Operator and to conclude each investigation within a three-month timeframe. The proposed fixed payment of £400 should therefore be made for each investigation concluded within the requisite three-month period following provision of the relevant lead by the TRAS Service Provider or an electricity Distribution Network Operator. This should then have the effect of ameliorating the potential scenario under the current proposed arrangements, whereby a Supplier may follow up all leads given to it by the TRAS Service Provider or an electricity Distribution Network Operator but still incur debits under the scheme due to no actual theft being found, and create the necessary incentive to detect theft and avoid cross-subsidy.
- 5.5 The proposer considers this approach will provide valuable data on the number of leads investigated and the amount of theft detected as a result of those investigations by each supplier which will then help determine whether theft is in fact equally distributed across the market,

something which the proposer does not believe is the case. Any reconciliation process should be based on the number of leads provided by the TRAS Service Provider or an electricity Distribution Network Operator to each Supplier in relation to which it did not conclude an investigation within the requisite time-period when compared against the same metric for all Suppliers active in that sector and regardless of market share. This will also provide an additional incentive for each Supplier to do so. Therefore, if every Supplier concluded all investigations in relation to all leads provided to it by the TRAS Service Provider or an electricity Distribution Network Operator within the requisite time frame, there would be no need for any reconciliation to be carried out. Any remaining monies in the pot not paid out to Suppliers could then be rolled into the next year.

TIG Considerations

- 5.6 The TIG discussed the proposed approach and noted that unlike DCP 288, DCP 288B seeks to introduce a performance based scheme rather than that proposed by the theft target incentive scheme. Under DCP 288B theft targets will not be equally distributed across each Supplier's customer portfolio in accordance with its market share. Suppliers will be required to investigate leads provided by the TRAS Service Provider and Distribution Network Operators (DNOs). It is the proposer's view that market share should not detect how many thefts a Supplier might have, this should be performance based. Suppliers should not incur costs if they fail to meet their target. The DCP 288 approach is beyond Supplier control as it seeks to penalise Suppliers even if they manage to meet their target.
- 5.7 It was noted that performance will be based on how many leads a Supplier receives; however, this depends on Supplier processes - a Supplier may be focusing on a lower theft lead source and not one likely to identify higher levels of theft. It was highlighted that investigations should not only be provided by the TRAS Service Provider as proposed under DCP 288B. Other theft lead sources such as the Energy Theft Tip Off Service (ETTOS) and Supplier own field agents are used to identify investigation leads. It was highlighted that referrals from DNOs are typically passed by email or telephone and not through the TRAS Service Provider. These referrals will not be provided to Suppliers as part of the Qualified Outliers issued monthly to Suppliers. Thus, a process should be put in place to allow for such theft leads within the scheme.
- 5.8 It should be clear whether Suppliers will be required to investigate Qualified Outliers under the TRAS and/ or theft leads from other sources. The TIG agreed to consult on the form of enquiry to be used in the scheme.

Question 13 is seeking your views on what type of theft lead sources should form part of the scheme. Please provide your rationale.

- 5.9 It was highlighted that the I&C market may be disadvantaged by the scheme; however setting a 1% rule will set a level playing field for all Parties.

5.10 On the proposed approach to focus on investigation leads rather than Confirmed Theft, the TIG raised concerns as to what constitutes an investigation i.e. on-site by a Revenue Protection personnel or desktop exercise. It was highlighted that the majority of Suppliers have limited resources to carry out physical investigations. The CP proposer explained that although not all investigations will result in Confirmed Theft, Suppliers will incur costs carrying out investigations. Investigation costs will depend on Supplier processes. It was suggested that an audit process could be put in place as part of the scheme. The TIG agreed to consult on what defines an investigation and what it is likely to cost Suppliers.

Questions 14 and 15 are seeking views on what constitutes a definition of investigation and what cost each investigation will be awarded in the scheme. Please provide your rationale for each question.

5.11 The TIG also noted the investigation timeframes proposed under DCP 288B and discussed how long after receiving an investigation should the Supplier close and report back to the TRAS Service Provider. It was noted that under the Gas Theft Detection Incentive Scheme Confirmed Theft should be reported within two TRAS submission windows, which are on the 5th of every month. The TIG considered whether a similar approach could be set for electricity and agreed to seek industry views on the investigation timeframes.

Question 16 is seeking views on how many days after an investigation should a Confirmed Theft be reported. Please provide your rationale.

5.12 The TIG noted that DCP 288 and 288A require Suppliers to Self-Certify as part of the electricity incentive scheme and agreed to ask whether self-Certification should be implemented as part of DCP 288B.

Question 17 is seeking views on whether a Self -Certification process should be implemented as part of DCP 288B. Please provide your rationale.

Legal Text

5.13 The proposed legal text is provided in Attachment 4.

Question 18 and 19 are seeking views on the proposed solution for DCP 288B and legal text

6 Further feedback on DCP 288

6.1 As mentioned in Section 1 of this document, the first DCP 288 consultation was issued on 17 February 2017. The collated consultation responses and TIG feedback has been provided as Attachment 2. Although consultation two is mainly seeking industry views on the proposed

approaches for the alternate CPs (DCP 288A and DCP 288B), the TIG would also like to receive further feedback on the DCP 288 proposed approach and updated legal text.

Questions 21, 22 and 23 are seeking views on the DCP 288 proposed approach and legal text.

7 Theft Target Volumes and Value

- 7.1 Given the consultation responses the TIG agreed to discuss further the theft target volume and consider further whether the same value of £400 per identified theft should be used for both residential and commercial.
- 7.2 The TIG agreed to increase the total theft target to 35,000 with theft target volume of 31,000 for residential and 4,000 for commercial. The increase was made to align with the consumption data currently being submitted to the TRAS Service Provider. As a result, the value of the incentive scheme pot increased from £11.2m to £12.4m for residential. The DCP 288 (Attachment 5) and 288A (Attachment 3) legal text have been updated to show the agreed theft target numbers.

Question 24 is seeking views on whether you are happy to increase the residential theft target value as a consequence of the increase in volumes. Please provide your rationale

- 7.3 The TIG also considered whether the commercial theft value of Confirmed Theft should be £400 as proposed under the residential theft target and agreed to seek industry views.

Question 25 is seeking views on whether the cost of the commercial theft target should be £400 as proposed under the residential theft target. If not, what should the value be set at?

Question 26 is asking whether the scheme costs should be increased or aligned to the gas incentive scheme. Please provide your rationale.

8 Scheme Reporting

- 8.1 It is noted that a reporting procedure proposed in the legal text and similar to that implemented under the Gas Theft Incentive Scheme will be put in place as part of the scheme. The TIG is seeking your views on whether you are happy with the proposed reporting process.

Question 27 is asking whether you happy with the proposed reporting process for electricity incentive scheme. Please provide your rationale.

9 Relevant Objectives

Assessment against the DCUSA General Objectives

DCUSA Charging Objectives	Identified impact
<input type="checkbox"/> 1 that compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	None
<input type="checkbox"/> 2 that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)	None
<input type="checkbox"/> 3 that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business	None
<input type="checkbox"/> 4 that, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business	None
<input type="checkbox"/> 5 that compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None
<input type="checkbox"/> 6 that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	None
DCUSA General Objectives	Identified impact
<input type="checkbox"/> 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	None
<input checked="" type="checkbox"/> 2 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	Positive
<input type="checkbox"/> 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	None
<input type="checkbox"/> 4 The promotion of efficiency in the implementation and administration of the DCUSA	None

5 Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

None

DCP 288 and DCP 288A

- 9.1 The DCP 288 and 288A proposers consider that DCUSA General Objective Two is better facilitated because this proposal will provide suppliers with a commercial incentive to detect theft on their portfolio, by linking costs and benefits to their performance. In a competitive environment, such as the energy supply market the potential financial implications of not detecting relative volumes of theft on their portfolio with benefits associated with results only.
- 9.2 The proposer also considers that the consequence of this proposal therefore will be an increase in the amount of theft detected by suppliers over and above the volume that would have been detected without the existence of such a scheme. Reducing theft and correcting apportionment of costs to those who drive such costs into the market would therefore improving competition between suppliers.
- 9.3 It considers further that the scheme will encourage the follow up of theft leads provided by the Theft Risk Assessment Service given that they will need to demonstrate actual thefts detected rather than demonstrate investigative effort in terms of total visits made.

DCP 288B

- 10 The DCP 288B proposer considers that DCUSA General Objective Two is better facilitated as it will provide suppliers with an appropriate financial incentive to detect theft within their electricity customer portfolio, while avoiding the potential cross subsidy that might be created where payment was linked only to discovery of theft rather than completion of investigation of leads provided to suppliers by the TRAS Service Provider or an electricity Distribution Network Operator.
- 11 The proposer also considers that the consequence of this proposal is that the detection of theft will be fairly and equitably incentivised, leading to an increase in levels of theft detection and providing a clearer picture as to the extent that theft may or may not be evenly distributed across the electricity market, while removing the potential cross-subsidy that the original DCP288 proposal creates.

Question 28 is seeking views on whether each of the CPs (DCP288, 288A and 288B) is better facilitated by each of the DCUSA Objectives. Please provide your view against each

12 Impacts & Other Considerations

Engagement with the Authority

- 12.1 Ofgem has been receiving DCP 288, DCP 288A and DCP 288B communication as a member of the Theft Issues Group.

13 Implementation

- 13.1 The implementation date for DCP 288, DCP 288A and DCB 288A will be based on when the incentive scheme is approved. The TIG proposes that the CP is implemented at least two months after approval.
- 13.2 The TIG agreed to implement the electricity scheme for a long year of 15 months. The scheme start date will depend on when the CP is approved.
- 13.3 The TIG believes that a lead time of at least two months is required post Authority approval. It should be on the first of a month; and that the implementation date should align with Gas scheme at some point; it should be based on a long year rather than a short one, so it could be 15 or 14 months for the first year rather than 3 or 5 months.

Question 29 is seeking views on whether you are supportive of the proposed implementation date of 1 February 2018, two months following Authority decision.

- 13.4 In addition, the TIG would also like to get Party views on how long after Authority approval should the scheme be implemented.

Question 30 is asking how long after the Authority approval should the scheme be implemented. Please provide your rationale.

- 13.5 The second scheme year will be aligned with the Gas Incentive Scheme Year. Given the proposed implementation timelines for DCP 288A the TIG questioned whether Parties want the electricity Scheme Year to coincide with the gas incentive scheme.

Question 31 is seeking views on whether Parties want the electricity Scheme Year to coincide with Gas Incentive Scheme. Please provide your rationale.

14 Consultation Questions

The Theft Issues Group is seeking industry views on the following consultation questions:

QUESTION NUMBER	QUESTION
	ELECTRICITY METERING POINT SUBMISSION OPTIONS
1	Which of the 4 proposed Options do you support and why?
2	Are you supportive of the proposed approach for a missing data file? Please provide your rationale
3	What default value should be put in place if a Supplier has not Submitted a file?
4	When looking at Option 4 - Do you agree with the TIG's recommendation? Please provide your rationale.

5	When looking at option 4 - Do you have any views on the use of the TRAS data for the purposes of the electricity incentive scheme? Please provide your rationale.
6	Do you believe any of the other options should be considered further? Please provide your rationale.
	DCP 288A
7	Should the scheme proposed under DCP 288A consist of 12 months only? Please provide your rationale
8	Under DCP 288A, how should Suppliers be treated under first and second scheme year? Please provide your rationale
9	Do you think the scheme should incorporate I&C Suppliers? Please provide your rationale
10	Do you agree with the proposed solution for DCP 288A?
11	Do you have any comments on the DCP 288A draft legal text?
12	Do you have any further comments on DCP 288A?
	DCP 288B
13	What type of theft lead sources should form part of the DCP 288B scheme? Please provide your rationale
14	What constitutes a definition of investigation? Please provide your rationale
15	What cost should each investigation be awarded? Please provide your rationale
16	How many days after an investigation should a Confirmed Theft be reported? Please provide your rationale
17	Do you think a Self -Certification process should be implemented as part of DCP 288B? Please provide your rationale
18	Do you agree with the proposed solution for DCP 288B?
19	Do you have any comments on the DCP 288B draft legal text?
20	Do you have any further comments on DCP 288B?
	DCP 288
21	Do you agree with the proposed solution for DCP 288?
22	Do you have any comments on the DCP 288 draft legal text?
23	Do you have any further comments on DCP 288?
	THEFT TARGET VALUES AND VOLUMES
24	Do you agree with the TIG's view to increase the residential theft target value as a consequence of the increase in volumes? If not, please provide your rationale

25	Do you agree with the TIG's view that the cost of commercial theft target should be £400 as proposed under residential theft target? If not, what should the value be set at?.
26	Do you agree that the electricity incentive scheme costs should be aligned to the gas incentive scheme or increased to align with the increased theft target value? If not, please provide your rationale.
	SCHEME REPORTING
27	Are you supportive of the proposed reporting process for the electricity incentive scheme? Please provide your rationale
	OBJECTIVES
28	Do you consider that each of the CPs (DCP 288, DCP 288A and DCP 288B) better facilitate the DCUSA objectives? Please give supporting reasons against each
	IMPLEMENTATION
29	Are you supportive of the proposed implementation date of 1 February 2018, two months following authority decision?
30	How long after the authority approval should the scheme be implemented? Please provide your rationale
31	Do you think the electricity Scheme Year should coincide with Gas Incentive Scheme? Please provide your rationale
	FURTHER CONSIDERATIONS
32	Are there any additional changes you would like to suggest to ensure the effective implementation of the Electricity Theft Detection Incentive Scheme? If yes, please provide your rationale.
33	Are there any alternative solutions or unintended consequences that should be considered by the Theft Issues Group?
34	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
35	Do you have any further comments?

14.1 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than **14 September 2017**.

14.2 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

Next Steps

14.3 Responses to the Consultation will be reviewed by the TIG. The TIG will then determine the progression route for the CP.

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

Attachments

- Attachment 1 – DCP 288, DCP 288A and DCP 288B Consultation Response Form
- Attachment 2 – DCP 288 Collated Consultation One Responses with TIG Feedback
- Attachment 3 – DCP 288A Legal Text
- Attachment 4 – DCP 288B Legal text
- Attachment 5 – DCP 288 Legal text
- Attachment 6 – DCP 288B CP Form