

DCP 288 Consultation responses – collated comments

Company	Confidential/ Anonymous	1. Do you understand the intent of the CP?	Working Group comments
British Gas	Non-confidential	Yes	Noted
E. ON UK	Non-confidential	Yes	Noted
First Utility	Non-confidential	Yes	Noted
Flow Energy	Non-confidential	Yes	Noted
Scottish Power Energy retail Limited	Non-confidential	Yes, the intent of this CP is to establish an industry view on the introduction of the Electricity Theft Detection Incentive Scheme.	Noted
The Renewable Energy Company (Ecotricity)	Non-confidential	We understand the intent of this CP.	Noted
Supplier 1	Anonymous	Yes we understand the intent of this CP.	Please Note: Supplier 1 representative confirmed that their identity and had no issues sharing the identify with the group.
Theft Issues Group (TIG) comments		The TIG noted that all respondents understand the intent of the CP.	

Company	Confidential/ Anonymous	2. Are you supportive of the principles of the CP?	Working Group comments
British Gas	Non-confidential	Yes – This CP mirrors the principles in SPAA change CP 16/327 “Introduction of The Gas Theft Incentive Scheme”. SPAA CP 16/327 was raised as a result of amendments to SPAA CP14/268 and is in line with the principles set out by Ofgem within their decision document entitled “ <i>Tackling gas theft: the way forward</i> ” published on 26 th March 2012 and was approved by Ofgem on 7 th March 2017.	Noted
E.ON UK	Non-confidential	Yes	Noted
First Utility	Non-confidential	First Utility supports the intention of implementing a theft detection incentive scheme for the electricity industry.	Noted
Flow Energy	Non-confidential	Yes	Noted
Scottish Power Energy retail Limited	Non-confidential	Yes	Noted
The Renewable Energy Company (Ecotricity)	Non-confidential	<p>We are not supportive of the principles of this CP and in fact, we strongly object to these principles.</p> <p>We do not agree that a market share proportional target for each Supplier will accurately represent actual customer behaviour. Across the larger Suppliers, in particular the Big Six, this may be a reasonably valid statistical approach, however for smaller and more niche Suppliers, it is not. This one</p>	<p>Some members of the TIG agreed with the view that a market share target does not accurately represent customer behaviour. The one size fits all does not work for all Suppliers.</p> <p>It was highlighted that it may be difficult for I & C Suppliers to meet the incentive scheme requirements.</p>

		<p>size fits all approach will not work outside of the Big Six.</p> <p>For Suppliers with a very specific demographic like ourselves, the targets enforced as a result of this CP shall be unattainable and result in a consequential arbitrary financial penalty in the event the target is not met. This is distinctly unfair and discriminates a large proportion of Suppliers, despite the intentions to create a level playing field.</p> <p>The premise of the scheme is hinged on the hypothetical assumption that a certain percentage of a Supplier's customer base is guilty of stealing energy. In most cases, this assumption is inaccurate.</p> <p>Considering the above factors, we are of the standing that this scheme should not go ahead at all.</p> <p>There are also already provisions and monitoring in place to ensure that Electricity theft is investigated efficiently in both TRAS and ETTOS. These are both new components that could effectively tackle theft, but are still in their infancy. They have not been allowed enough time to comprehensively demonstrate their ability in tackling Electricity theft. We believe that the effectiveness of both TRAS and ETTOS should be determined before enforcing these unattainable targets on Suppliers.</p>	
Supplier 1	Anonymous	<p>Domestic: Yes, we are supportive of the principles of this CP.</p> <p>Commercial: No. The principle places greater emphasis on outcomes and ignores the approach which as laid out in our obligations contain all reasonable</p>	Noted

		endeavours (FTE/time/money/resource). Please see further detail below which expands on this.	
TIG Comments		The TIG noted that a majority of the respondents were supportive of the principles of the CP. Some members of the group agreed with the view that the one size fits all does not work for all Suppliers.	

Company	Confidential/ Anonymous	3. Do you agree with the TIG's view that Suppliers Theft Targets should be split based on domestic and commercial metering points? If no, please provide your rationale.	Working Group comments
British Gas	Non-confidential	Yes. This is consistent with the development of the energy market and will facilitate the provision of a target appropriate to the sector in which any supplier operates.	Noted
E.ON UK	Non-confidential	<p>Yes – There are clear definitions in the SPAA for the equivalent gas scheme, we believe they should be introduced for consistency.</p> <p>The current SPAA definitions are:</p> <p>Domestic Supply - means a supply of Gas to Premises which is taken wholly or mainly for domestic purposes;</p> <p>I&C Supply - means a supply of Gas to a Consumer taken wholly or mainly for non-domestic purposes (as such term is used in the Gas Suppliers Standard Licence Conditions issued pursuant to the Utilities Act 2000);</p>	The TIG agreed to put forward definitions of domestic and commercial for legal review.

		<p>2.2 uses the proposed terms but the schemes referenced in 2.6 don't match and appear to define a new term of Domestic Supply Scheme. Should this in fact be the Domestic Metering Points definition used here?</p> <p>Also 4.1 / 4.2 / 4.3 / 4.5 references inconsistent definitions (Domestic Supply not Domestic Metering Points) – consistency required throughout the document.</p>	
First Utility	Non-confidential	First Utility is not convinced that assumptions should be used in generating targets split by domestic and commercial meter points from Scheme Year 1. Has the workgroup considered analysis on profile class of meter points?	The First Utility representative pointed out that the one size fits all approach does not work for all Suppliers. The TIG agreed that there needs to be a further analysis on profile classes.
Flow Energy	Non-confidential	Creating a split between domestic and commercial metering points is only of value if it drives improved supplier behaviour in addressing this industry issue. For governance and reporting this may be useful, but unless there is other compelling evidence to differentiate we are unconvinced why such a split is required.	Noted
Scottish Power Energy retail Limited	Non-confidential	Yes	Noted
The Renewable Energy	Non-confidential	No comment.	Noted

Company (Ecotricity)			
Supplier 1	Anonymous	<p>Domestic: Yes – to ensure focus and drive for both segments we think separate targets should be given.</p> <p>Commercial: No. Due to the nature of the electricity meter and property type, theft is more likely to occur on smaller sites such as domestic or small business properties. Larger industrial and commercial customers such as PLCs are unlikely to possess the necessary 'mens rea' to commit such offences. Dangers associated with higher voltage meters installed on larger industrial and commercial sites may deter tampering.</p>	The TIG noted than theft is likely to take place at small businesses rather than large businesses.
TIG Comments		The TIG noted the responses and agreed to further split between domestic and commercial supply points.	
TIG discussions		The principals of the electricity incentive scheme are based on the gas incentive scheme. The Scheme will provide the domestic and commercial supply sections with individual incentive scheme pots and the Supplier's individual Theft Target will be based on its market share figures for each Scheme Year.	

Company	Confidential/ Anonymous	4. Do you agree with the proposed Theft Target split of 28,000 for the domestic sector and 4,000 for the commercial sector? If no, please provide your rationale.	Working Group comments
British Gas	Non-confidential	No. We would suggest an increase to the overall proposed Theft Target to 39,000 with a split of 35,000 for the domestic sector and 4000 for the commercial sector.	A member of the TIG explained that Ofgem set the theft target more than three years ago when the licence obligations were updated. This target is expected to increase significantly and should

		<p>This proposal is supported by data the industry currently receives from the Theft Risk Assessment service.</p> <p>The current data shows that Confirmed Theft identified by either TRAS or Non TRAS related means for the first 7 months submissions is 20,188 Residential and 938 commercial. When pro-rated over 12 months we would expect 34,608 Residential and 1625 Commercial sites to be found without an incentive scheme in place. Whilst the Commercial target would appear reasonable we believe the target for Residential thefts should be increased significantly</p>	<p>align with data currently submitted to the TRAS service.</p> <p>The group questioned how the year on year increase would be carried out. The TIG agreed to review the Theft Target volume and costs.</p>
E.ON UK	Non-confidential	<p>There is no other metric we can suggest but we welcome the group's views.</p> <p>We note the gas scheme had populated metrics for Scheme Year 1 and 2 but this proposal only relates to Scheme Year 1. What is the rationale for the different approaches? We'd like to see the TRAS Theft Target introduced at the same time for both gas and electricity schemes.</p> <p>The equivalent gas scheme could see a fixed value for SY2 but the Theft Target being created for electricity for SY2 – we would prefer an approach which sees both schemes using the TRAS methodology at the same point not over split scheme years. We appreciate this would depend on timing of the implementation date but we believe this should be a factor considered.</p>	<p>It was noted that the TRAS Methodology would drive the target based on data submission by Suppliers.</p>
First Utility	Non-confidential	<p>First Utility understands there needs to be a starting point for the initiation of the incentive scheme. We do not understand why Scheme Year 2 has the same targets as Scheme Year 1. A number of factors from scheme year 1 should determine targets for future scheme years including:</p>	<p>Noted</p>

		<ul style="list-style-type: none"> Were the targets realistic for Scheme Year 1? Supplier performance should be considered when deciding targets for Scheme Year 2. <p>Press coverage during scheme year 1 could deter consumers who were considering theft of energy in the future.</p>	
Flow Energy	Non-confidential	<p>We are not clear as to the methodology behind this 28 versus 4 split other than Ofgem "Tackling Electricity Theft – The Way Forward Final Impact Assessment"1 document dated 4th March 2014. If commercial and domestic are split is there value in using different methodologies? Making commercial volume based and domestic Meter point based for example, may be a more suitable option to explore.</p>	The TIG agreed to review the Ofgem Impact Assessment.
Scottish Power Energy retail Limited	Non-confidential	<p>Yes, although we would request that the Theft Issues Group undertakes a review of the Ofgem Impact Assessment that established the theft target.</p> <p>We also welcome the fact that the secretariat will inform each supplier of their individual target prior to the start of each year.</p>	The TIG agreed to review the Ofgem Impact Assessment.
The Renewable Energy Company (Ecotricity)	Non-confidential	No comment.	noted
Supplier 1	Anonymous	Domestic: Yes we agree with the proposed Theft Target split for Domestic.	The TIG agreed to review the Ofgem Impact Assessment.

		Commercial: No, based on our previous level of confirmed theft which is currently nowhere near what would be expected of us with this new scheme.	
TIG comments		The TIG agreed to review the Ofgem Impact Assessment considering the size of the pot and the split between domestic and commercial supply points.	
TIG discussions		<p>It was highlighted that the Ofgem Impact Assessment was carried out four years ago. Since then the market has grown and more Suppliers have joined the industry.</p> <p>At the May 2017 TIG meeting, the group agreed to increase the incentive pot to a total of 35,000 with 31,000 domestic and 4,000 commercial.</p>	

Company	Confidential/ Anonymous	5. Do you agree with the TIG's proposal for excluding individual Suppliers whose Theft Target is calculated to be less than 1 Confirmed Theft for each Scheme Year? If no, please provide your rationale.	Working Group comments
British Gas	Non-confidential	Yes this seems reasonable and is consistent with the proposed gas theft incentive scheme.	Noted
E. ON UK	Non-confidential	Yes – however, if they wish to participate they can so we are happy with the approach drafted.	Noted
First Utility	Non-confidential	<p>The TIG should consider a number of points before making a final decision on the requirements of mandatory supplier involvement.</p> <p>Having such a low threshold will ensure more suppliers are mandated by the incentive scheme. Smaller suppliers may make a business decision to pay the financial penalty</p>	The TIG agreed to consider points raised by First utility and other respondents before proceeding with the electricity incentive scheme.

		<p>at the end of the scheme. All suppliers regardless of their size should be incentivised to invest in their theft detection capability and should therefore have at least 1 Confirmed Theft target. If this is not enforced then safe havens will be known to exist with suppliers with less than x number of customers.</p> <p>This negates the true intention of implementing an incentive scheme and brings a number of barriers to an effective theft detection incentive scheme.</p>	
Flow Energy	Non-confidential	Yes	Noted
Scottish Power Energy retail Limited	Non-confidential	Yes	Noted
The Renewable Energy Company (Ecotricity)	Non-confidential	No comment.	Noted
Supplier 1	Anonymous	Yes we agree with the TIG's proposal for excluding individual Suppliers whose Theft Target is calculated to be less than 1 Confirmed Theft for each Scheme Year.	Noted
TIG comments		The TIG noted that a majority of the respondents agreed with the proposal to exclude individual Suppliers whose Theft Target is calculated to be less than 1 Confirmed Theft for each Scheme Year.	

TIG discussions	Suppliers with a theft target of less than 1 will be excluded from participating in the electricity incentive scheme. Suppliers wishing to participate are required to opt in prior to the beginning of the incentive scheme year.
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Company	Confidential/ Anonymous	6. Do you agree with the TIG's view that that the size of the pot is reasonable? If no, please provide your rationale.	Working Group comments
British Gas	Non-confidential	<p>The financial impacts in the Ofgem document '<i>Tackling Electricity Theft – The way forward Final Impact Assessment</i>' published 4th March 2014 was based on the latest available levels of theft investigations and detections reported by suppliers in 2010/2011. With this in mind we suggest the incentive payment rate of £400 per confirmed theft detection be increased in line with 6 years RPI.</p> <p>We also suggest an increase in the size of the overall pot from £12.8m to approx £16m.</p> <p>The proposal to increase the size of the overall pot is also supported by the data the industry currently receives from the Theft Risk Assessment service.</p> <p>We would suggest an increase in the size of the overall pot from £12.8m to $[35000 * (400 + 6\text{yrs RPI}) + 4000 * (400 + 6\text{yrs RPI}) = (£15.6\text{m} + 6\text{yr RPI})]$</p> <p>We would prefer a significantly higher pot to ensure there is no disincentive to proactively investigate theft but we remain mindful of the reasons Ofgem suggested the cap.</p>	Members of the TIG agreed with the suggestion to increase the size of the pot. It was noted that the Ofgem impact assessment had been carried out a few year prior to the implementation of the scheme.
E.ON UK	Non-confidential	We see no justification for the value of £400 within the information provided but agree the overall value of the	The TIG agreed to review the costs of the incentive scheme.

		<p>pot compared to Metering Point counts is reasonable for a penalty.</p> <p>The gas scheme sees a Marginal Detection Disincentive Value being applied to the Residential and Commercial Confirmed Thefts as well as different values for the sectors for the incentive pot (gas values outlined below)</p> <ul style="list-style-type: none"> • SY1 £1,632 Domestic and £972 I&C • SY2 £1,166 Domestic and £561 I&C <p>The same approach has not been applied to the electricity Scheme and we believe for consistency it should be. We have been unable to propose what these values are as we have been unable to understand the £400 proposed originally.</p>	
First Utility	Non-confidential	No comment.	Noted
Flow Energy	Non-confidential	N/A	
Scottish Power Energy retail Limited	Non-confidential	Yes, although we would request that the Theft Issues Group undertakes a review of the Ofgem Impact Assessment that established the theft target.	Noted
The Renewable Energy Company (Ecotricity)	Non-confidential	No comment.	Noted

Supplier 1	Anonymous	<p>Domestic: Yes we agree with the TIG's view that the size of the pot is reasonable for domestic segment.</p> <p>Commercial: The value on a confirmed theft of £400 seems very high, considering this value correlates to domestic sites as well as commercial. We would like to understand where the value of £400 per detection was derived from.</p> <p>Targets and the size of the pot were based up figures taken from the document <i>"Tackling Electricity Theft – The Way Forward Final Impact Assessment"</i>, Ofgem has included a note stating the following, <i>"Based on current estimates of average consumption by domestic and commercial customers, we estimate that there are 275,000 cases of domestic theft, 5,000 cases of commercial theft and 4,500 cases of cannabis farm theft taking place at any time."</i> These figures were taken from analysis carried out early 2014, since then the industry has advanced and in many areas which could have affected the industry position on electricity theft. We believe refresh of these figures at this point would provide more accurate targets. Also the targets set are almost trying to clear nearly all assumed cases of theft. This seems like an unrealistic task based on current targets especially since the targets have set for the first year of implementation of the scheme.</p> <p>The Ofgem report, suggested that in 2014 the reported levels of confirmed theft were around 750 in the commercial segment and 15,956 for the domestic segment. The targets set provide no justification compared to the confirmed numbers.</p> <p>In summary, the report on which the commercial target of 4,000 has been set, estimates that there are only</p>	<p>The TIG agreed to review the size and costs of the incentive scheme.</p>
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		5,000 commercial thefts at any one time. We believe this to entirely unrealistic. The reported levels of confirmed thefts in commercial of 750 support this view. We would like to understand why the commercial target proposed has been set so high?	
TIG Comments		The TIG agreed to review the size of the electricity incentive pot.	
TIG discussions		It was highlighted that size of the pot will increase as a consequence of the theft target volumes.	

Company	Confidential / Anonymous	7. Do you agree with the TIG's proposal for self-certification and audit? If no, please provide your rationale.	Working Group comments
British Gas	Non-confidential	Yes. As there is an agreed definition for 'Confirmed Theft' in DCUSA to be used across all theft related activities including TRAS, CoP and incentive schemes etc. there should not be any confusion as to what constitutes a valid theft situation.	Noted
E.ON UK	Non-confidential	<p>We agree it matches the gas approach but it is unclear what activity will be conducted for Audit.</p> <p>Clause 7.1 doesn't state to whom is the self-cert document issued to? Will it be the Contract Manager and will it be an annual certification request? If it is should the self-cert be issued at the same time as the confirmation of the individual targets in 4.5? Also an as soon as reasonably practicable response time could be added into the text. This suggestion is to help reduce compliance issues because self-certs have not been returned.</p>	Noted

First Utility	Non-confidential	First Utility strongly disagrees with the TIG's proposal for self-certification. The incentive scheme pot of over £25m for the first two years should mean a full audit is completed on all participating suppliers.	The First Utility representative pointed out that the audit requirements should be covered by the costs of the scheme. The TIG is to clarify the audit process and requirements.
Flow Energy	Non-confidential	N/A	Noted
Scottish Power Energy retail Limited	Non-confidential	Yes	Noted
The Renewable Energy Company (Ecotricity)	Non-confidential	No comment.	Noted
Supplier 1	Anonymous	Yes, as long as suppliers keep audit and can prove all cases. Elements of oversight is required may be on a yearly basis to review supplier approach and progress. Self-declaration is suitable within the early stages however, due to the costs of external audit functions, it will be worth reviewing audit after the 2 nd or 3 rd year of the scheme.	Noted
Working Group comments		The TIG agreed that the audit process and requirements should be clearly defined. The TIG agreed to add the audit requirements to the TIG Agenda	
TIG Discussions		It was highlighted that it is important to align the audit requirements for the gas and electricity schemes. The gas and electricity audit process was added to the TIG monitoring Log for the group to discuss and agree the incentive scheme auditing process.	

	The electricity self-certification process will be aligned with the agreed process under the gas scheme.
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Company	Confidential/ Anonymous	8. Do you agree with the TIG's proposal that there should be not explicit provisions relating to cannabis farms within the electricity Theft Detection Incentive Scheme? All Confirmed Theft detections will be allocated to the relevant market sector based on whether they relate to a domestic or commercial metering point. In no, please provide rationale.	Working Group comments
British Gas	Non-confidential	Yes. There has to be flexibility to enable those suppliers who only operate in one sector to submit confirmed theft as a result of cannabis cultivation within their sector target.	Noted
E.ON UK	Non-confidential	We support the TIGs recommendation; the inclusion of this over complicates the model.	Noted
First Utility	Non-confidential	We agree with the TIG's views on cannabis farms.	Noted
Flow Energy	Non-confidential	N/A	Noted
Scottish Power Energy retail Limited	Non-confidential	Yes	Noted
The Renewable	Non-confidential	No comment.	Noted

Energy Company (Ecotricity)			
Supplier 1	Anonymous	<p>Yes we agree with the TIG's proposal that there should be no explicit provisions relating to cannabis farms within the electricity Theft Detection Incentive Scheme.</p> <p>However, we would like to understand regarding all other illegal operations, which happen to be using the electricity supply in question? Especially where electricity theft has not taken place.</p>	The TIG noted that the last response did not refer specifically to the incentive scheme. DF agreed to further clarify the response and provide feedback to the group.
Working Group comments		The TIG noted the responses and the suggested amendments to the legal text.	
TIG discussions		The size of the commercial theft target had been due to the inclusion of cannabis farms within the incentive scheme calculation. The TIG agreed to remove this from commercial theft target as cannabis farms are usually found at residential addresses.	

Company	Confidential/ Anonymous	9. Do you agree with the TIG's proposal to implement the electricity scheme for one short or long year (6 months or 18 months) and then aligned for future years? If no, please provide your rationale.	Working Group comments
British Gas	Non-confidential	Yes. Ideally any scheme should run alongside a gas theft incentive scheme and the scheme years should be aligned after an initial short or long year to bring them in line.	Noted
E.ON UK	Non-confidential	We agree the schemes need to be aligned, but we would be accepting of a 9 or 15 month period also; we would not be supportive of a delivery < 6 months.	It was noted that how the scheme is pro-rated depends on the methodology. There needs to be an understanding of the theft

		It is not clear how the target would be pro-rated in these apportioned instances. Would it be half the target for 6 months for example? We would not support the full target being applied to a smaller Scheme Year period.	target requirements from the beginning of Year 1.
First Utility	Non-confidential	A common sense approach would see the electricity theft detection incentive scheme aligned with the gas scheme. A short scheme year provides an unfair advantage to incumbent suppliers who have processes in place to adapt to a short scheme year.	noted
Flow Energy	Non-confidential	A long year will allow all suppliers to bed in any new processes and provide a more representative measure for future years.	Noted
Scottish Power Energy retail Limited	Non-confidential	Yes we agree with the TIGs proposal to align both the gas and electricity schemes which have similar characteristics.	Noted
The Renewable Energy Company (Ecotricity)	Non-confidential	No comment.	Noted
Supplier 1	Anonymous	Yes we agree with the TIG's proposal to implement the electricity scheme for one short or long year (6 months or 18 months) and then aligned for future years as long as the targets are then re-aligned on a pro-rotas basis.	Noted
Working Group Comments		The TIG agreed to clarify the expected implementation timescales with Ofgem.	

TIG discussions	<p>Ofgem confirmed that it is flexible on implementation dates so it does not need to align to the gas year. Ofgem do however want a review after 12 months.</p> <p>The TIG noted that depending on when the Authority decision is made the secretariat will require time to prepare for the implementation of the incentive scheme.</p> <p>The TIG agreed to implement the electricity incentive scheme for a long year of 15 months from February 2018 and then align with the Gas scheme in Year 2 which will be the Gas incentive scheme Year 3.</p> <p>Consultation Two is seeking Party views on the proposed implementation date.</p>
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Company	Confidential/ Anonymous	10. Do you consider that the proposal better facilitates the DCUSA objectives? Please give supporting reasons.	Working Group comments
British Gas	Non-confidential	<p>Yes.</p> <p>We agree that this proposal will better facilitate DCUSA Objective 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 “</p> <p>We agree that this proposal will provide suppliers with a commercial incentive to identify theft on their portfolio by providing financial consequences to those suppliers who do and do not detect theft.</p> <p>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.</p>	

		<p>Reducing theft and correcting apportionment of costs to those who drive such costs into the market, therefore improving competition between Suppliers.</p> <p>The scheme will also 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.</p> <p>This proposal along with other measures including the Licence condition and TRAS will encourage Suppliers to have a robust process in place for dealing with reports of Theft and/or tampering.</p>	
E.ON UK	Non-confidential	It supports SPAA Objective F and DCUSA Objective 4 – as these support effective delivery of Licence Condition 12A which supports the Theft Arrangements.	
First Utility	Non-confidential	<p>DCUSA General Objective 2: Negative</p> <p>This change proposal would bring adverse distributional impacts to non-incumbent suppliers that would limit effective competition in the supply of electricity.</p>	
Flow Energy	Non-confidential	N/A	
Scottish Power Energy retail Limited	Non-confidential	Yes, we agree with objectives and rationale listed within the Change Proposal. This also aligns with the original direction from Ofgem in 2012.	
The Renewable	Non-confidential	We consider the rationale that this better facilitates the objective of facilitating effective competition in the supply	

Energy Company (Ecotricity)		of electricity to be premature and not holistic as there is no guarantee that this scheme shall in fact find more thefts in the industry.	
Supplier 1	Anonymous	Yes we agree that if the industry substantially increase the volume of tampers detected it will lead to a decrease in cost to serve, decrease revenue loss and also generate healthy competition across suppliers as there will be an incentive to outperform others. From a commercial perspective to encourage all suppliers to be more proactive and effective at tackling theft, it may be better to monitor the amount of investigations commenced rather than the amount of confirmed thefts. Measuring a supplier input to a process would far better provide indication of supplier effort to the theft process. The output would be incidental and would not necessarily provide evidence of supplier determination to the cause.	
Working Group comments		Most of the respondents agreed that the CP better facilitates DCUSA objectives.	
TIG discussions.		The TIG agreed to further consult on whether both DCP 288 and the alternative CP are better facilitated by DCUSA objectives. A question on the objectives was added to the second consultation.	

Company	Confidential / Anonymous	11. Do you have any comments on the draft legal text?	Working Group comments
British Gas	Non-confidential	No	Noted

E.ON UK	Non-confidential	<p>Comments regarding the Domestic/Commercial Metering Points definitions are within question 3. Our additional comments are:</p> <p>3.1 refers to £400 per detected theft – should this be Confirmed Theft as that is how it has been defined in previous clauses. This leaves it vague so we recommend clarifying it.</p> <p>3.2 refers to Domestic, Commercial and Cannabis Theft – these do not appear to be defined, depending on the responses to Question 8 there may be no requirement for a cannabis definition, but, either Domestic/Commercial Theft need defining or the clause needs rewording to incorporate consistent definitions.</p> <p>3.4 refers to CPI which has been clearly defined in SPAA within CP 15/327 but it doesn't appear to have been defined for this DCUSA change.</p> <p>Section 4 relates to the incentive pots – following on from our comments in Questions 4 and 6 we believe the incentive pots clauses should have values per section and also have SY1 and SY2 outlined. As 4.3 refers to SY2 but doesn't explicitly reference any details.</p> <p>4.5 there is a requirement to notify Suppliers – to whom will this notification go? A nominated contact or the Contract Manager?</p> <p>4.6 refers to Supplier Parties and other clauses to just 'Supplier' – which is correct for consistency?</p> <p>5.5 refers to Indicative Scheme Summary Report – this does not appear to be defined (although 5.6 states its yet</p>	<p>It was agreed that the suggested amendments will be issued to the legal advisor as part of the legal text review.</p>
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		<p>to be defined), should it be? To whom is the report issued to for Suppliers e.g. Contract Manager?</p> <p>5.6 it is defined as The Scheme but just Scheme is defined within this clause</p> <p>5.11 to whom will the report be issued to e.g. Contract Manager?</p> <p>4.8 provides the clarity regarding exempt Suppliers but 6.4 refers to a Qualifying Supplier – does this need defining throughout the document or amending to exempt for consistency.</p> <p>6.5 / 6.6 – should it be referenced as The Scheme not scheme?</p>	
First Utility	Non-confidential	We have provided feedback to legal text for specific questions where required.	Noted
Flow Energy	Non-confidential		Noted
Scottish Power Energy retail Limited	Non-confidential	No	Noted
The Renewable Energy Company (Ecotricity)	Non-confidential	No comment.	Noted
Supplier 1	Anonymous	No	Noted

Working Group comments	The TIG agreed to carry out a full review of the legal text responses after defining and agreeing elements of the electricity incentive scheme.
TIG Discussions	<p>The above suggested changes have been made to the legal text also including the following items:</p> <ul style="list-style-type: none"> • Theft target volume and value • Alternative CP legal text • Remove cannabis farms reference from commercial theft target • Market share allocation • Clause stating domestic refers to residential data provided to the TRAS service provider • Metering Point submission process

Company	Confidential/ Anonymous	12. The legal text refers to domestic and commercial metering points which are not defined within DCUSA. Do you believe a definition is required as part of this change?	Working Group comments
British Gas	Non-confidential	<p>The terms 'domestic' and 'commercial' are used within TRAS and also SPAA. It would be useful if a consistent definition was agreed across both fuels for all theft related activities and governance. The definitions within SPAA are:-</p> <p>Domestic Supply - means a supply of Gas to Premises which is taken wholly or mainly for domestic purposes;</p> <p>I&C Supply - means a supply of Gas to a Consumer taken wholly or mainly for non-domestic purposes (as such</p>	Members of the TIG agreed that the terms domestic and commercial should be defined in the DCUSA.

		term is used in the Gas Suppliers Standard Licence Conditions issued pursuant to the Utilities Act 2000);	
E.ON UK	Non-confidential	Yes – see our answer to Question 3.	Noted
First Utility	Non-confidential	A definition would be required for domestic and commercial supply points.	Noted
Flow Energy	Non-confidential	In any case where there could be potential ambiguity in the legal text, The difference between domestic and commercial being a good example, a definition should definitely be included. Particularly as any difference in weighting between the 2 sectors could leave the scheme open for gaming.	Noted
Scottish Power Energy retail Limited	Non-confidential	Yes, we agree domestic and commercial metering points in this context should be defined to ensure there is no dubiety for Industry parties.	Noted
The Renewable Energy Company (Ecotricity)	Non-confidential	No comment.	Noted
Supplier 1	Anonymous	Yes we believe a definition is required as part of this change and as stated above consideration also needs to be applied to split the sectors by way of the following; Domestic, Microbusiness and Industrial & Commercial. The definitions should be in line with other supplier obligations.	Noted

Working Group	It was agreed that the proposed definitions for the terms should be submitted to the legal advisor with the finalised legal text for review.
TIG Discussions	<p>The TIG noted that the terms 'domestic' and 'commercial' are not defined within the DCUSA. However, both the gas and electricity incentive schemes refer to domestic and commercial data. Under the TRAS, domestic data is submitted as residential.</p> <p>At the July meeting the TIG agreed to add a clause to the legal text explaining that domestic means residential data as submitted by Suppliers to the TRAS Service Provider.</p>

Company	Confidential/ Anonymous	13. 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.	Working Group comments
British Gas	Non-confidential	<p>Yes</p> <p>In the Ofgem decision paper for SPAA CP 16/327 there is a recommendation of a need to provide clearer provision and the inclusion of timescales for the SPAA Secretariat to produce Supplier Monthly and Annual Summary reports based on TRAS data in Schedule 37 and encourage industry to propose appropriate changes to address this. We suggest a consistent approach is necessary across both fuels incentive schemes.</p>	Noted
E.ON UK	Non-confidential	<p>6.2 provides a final report for The Scheme, if there are any issues with this and Suppliers want to challenge their numbers ahead of invoice receipt how can this be done? Should a process be created in the DCUSA (and possibly SPAA) to cover this possibility? The reporting will be in its</p>	Noted

		<p>infancy so there needs to be a mechanism to challenge. This challenge process can include the monthly reporting as well (allow for early challenge rather than the end of the year.</p>	
First Utility	Non-confidential	<p>First Utility fully supports the implementation of the electricity theft detection incentive scheme. The energy market has changed dramatically since the original Ofgem report in March 2012; in particular the number of suppliers operating in the market has increased. Large numbers of consumers have switched from large suppliers to smaller suppliers. We believe that consumers who are engaged in the energy market and switch energy suppliers are less likely to engage in the theft of energy because (i) they would not want to do anything that might alert their supplier that they are stealing and; (ii) they have already found a way to reduce their energy bill so why would they bother switching?</p> <p>We would like the TIG to consider the following points when finalising the electricity theft detection incentive scheme.</p> <ul style="list-style-type: none"> • This incentive scheme provides an upside for certain suppliers that inherited an existing theft detection capability, they should be rewarded for their efforts, but they should not profit from the failure of others. If suppliers profit from the failure of others then this is not purely an incentive scheme if becomes a money making opportunity, which is in our view not appropriate. • We are concerned with the TIG's view that theft of energy targets are equally apportioned across suppliers on a market share basis. This is because we believe those customers who have switched are less likely to be engaging in the theft of energy. 	<p>The TIG noted that First Utility would be raising an alternative CP to introduce a fairer approach to the Theft Detection Incentive Scheme for independent suppliers.</p>

		<ul style="list-style-type: none"> • The risk of energy suppliers being able to self-certify confirmed cases of theft of electricity for the distribution of £25m among electricity suppliers across two scheme years. • The risk of some small suppliers making business decisions not to take part in the incentive scheme due to cost which negates the benefits expressed by Ofgem <p>We propose an alternative mechanism for suppliers with <2m supply points that increases the Confirmed Theft target from 0% – 100% by 10% for each year since the original Ofgem decision in 2012. This can be shown by the following formula:</p> <p>$((\text{Commencement of Scheme Year}-2012)\times 0.1)\times \text{existing market share}\%$</p> <p>e.g $((2017-2012)\times 0.1)\times 0.05 = 2.5\%$ (50% Confirmed Theft target of 5% market share)</p> <p>We ask the TIG to discuss the merits of this alternative arrangement.</p>	
Flow Energy	Non-confidential	Setting targets should have increased weighting on qualified outliers as identified by the TRAS service, not just portfolio size/market share. Suppliers differentiate in the market and whilst this does not necessarily increase or lessen theft likelihood occurring with individual customers it may have an impact at a portfolio level (up or down) based on demographics, location etc. The TRAS service has a unique view of the likelihood of theft in each company's portfolio and is therefore extremely well placed to set very accurate and bespoke targets.	Noted
Scottish Power	Non-confidential	Not at this time	Noted

Energy retail Limited			
The Renewable Energy Company (Ecotricity)	Non-confidential	In the scenario that this is in fact implemented, we seek promises that there is a review of the calculation used to determine each Suppliers target. This is on the premise that the calculation currently follows a one size fits all smaller methodology in that all Suppliers portfolios are distinctly similar. This approach does not cater for smaller niche Suppliers like ourselves and the characteristics of larger Suppliers result in skewed targets. As this is the case, there should be an individual calculation for each different category of Supplier, which should also do more for smaller Suppliers than the current limited provision for Suppliers that have a theft target of 1, which encompasses a too few Suppliers.	Noted
Supplier 1	Anonymous	<p>Domestic: We would like this incentive scheme to run alongside the proposed gas incentive scheme</p> <p>Commercial: To implement the scheme by way of a trial to confirm if the targets are fit for purpose or whether the approach of the scheme fulfils its purpose. Then to review the scheme and confirm if any amendments are required to terms of the scheme. Possible to even repeal the scheme where it is not fit for purpose. If the scheme goes live without a trial there is a risk that the targets set may later be confirmed as unachievable and suppliers would be penalised as a result.</p>	Noted
Working Group		The group noted that an alternate CP would be raised to introduce a fairer approach to the Theft Detection Incentive Scheme for independent suppliers. The CP is to be discussed at the next TIG meeting.	

TIG Discussions	<p>Alternate DCP 288A was raised on 4 April 2017. The CP seeks to introduce a fairer approach to the Theft Detection Incentive Scheme for independent Suppliers. The Confirmed Theft target for Suppliers with less than 2million 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.</p> <p>The Consultation Two seeks industry views the proposed approach and legal text.</p>
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Company	Confidential/ Anonymous	14. Are there any alternative solutions or unintended consequences that should be considered by the Theft Issues Group?	Working Group comments
British Gas	Non-confidential	The Theft Issues Group must ensure consistency across all theft targets. The minimum performance target for TRAS and the incentive scheme should be the same.	Noted
E.ON UK	Non-confidential	As a decision has not yet been provided by the Authority on the Leads Based (Qualified Outlier) Scheme for gas, would it be prudent to also consider creating this in electricity as an alternative approach. Upon the Authority decision the group then can process the equivalent scheme for electricity.	Noted
First Utility	Non-confidential	We would like to see the TIG review the concerns described within this consultation or an alternative scheme assessed by the workgroup.	The TIG is to address concerns raised by respondents and discuss the alternate CP at the next TIG meeting.
Flow Energy	Non-confidential	See 13	Noted

Scottish Power Energy retail Limited	Non-confidential	Not at this time.	Noted
The Renewable Energy Company (Ecotricity)	Non-confidential	<p>The Supply Licence Conditions currently require Suppliers to take all reasonable steps to detect and prevent Electricity theft. This new provision unreasonably takes this requirement further and enforces a mind-set of presuming that a certain proportion of Customers are guilty of stealing Electricity. This should be considered by the working group as it is totally unfair to place this sense of incrimination on to customers, when the reality of the proportion of customers extracting Electricity to be indiscernible. This also seems to be contradictory to one of Ofgem's primary concerns which is ensuring the wellbeing and trust of customers.</p> <p>Another unintended consequence of this CP is the lamentable mind-set it enforces. Under the Supply Licence Conditions, a Supplier must have 'reasonable grounds to suspect' Electricity theft. However, where a Supplier is falling short of their targets, they may start to strategically target Customers without due consideration to having 'reasonable grounds to suspect' this theft, all in the name of reaching the target. This may result in a vast amount of non-guilty customers experiencing the terror of a visit to exercise a warrant for entry, only to find the customer is not unlawfully extracting Electricity at all. This is an unnecessary emotional burden to subject customers to.</p>	Noted
Supplier 1	Anonymous	<p>Domestic: No</p> <p>Commercial: Targeting confirmed theft outcomes do not indicate supplier effort. For example a supplier could</p>	The TIG noted the concerns raised. The Supplier representative informed the TIG

		<p>commence 500 investigations from which half could have resulted in confirmed theft cases. Whereas another supplier could commence 1000 investigations but only to have 1 confirmed case.</p> <p>Regarding health and safety, we are moving away from prescriptive based rules and have moved to a principle based approach. This scheme seems to base the targets on the inclusion of supplier obtaining theft evidence by way of periodical or scheduled visits in addition to a desktop review. As per the response within Q.15, the industry will progressively move towards capturing evidence by desktop review rather than physical inspections to ascertain issues. Therefore the target would need to be reviewed with this in mind. Since 2014 (when targets were set) the industry has improved its metering to take readings remotely and reduce the need to carry out visit sites. Hence why the target set would need to be reviewed.</p> <p>Also supplier with large customer groups often experience large fluctuation with portfolio numbers. If targets are provided at the start of the year then these wont account for a market share increase or decrease when the scheme year ends. This would be detrimental to supplier who has lost a customer with a large portfolio but is yet to account for the higher target. The scheme should allow for a supplier to provide evidence and apply to amend the target where their market share varies radically.</p>	that they may raise an alternate CP on the commercial arrangements.
TIG Comments	<p>The TIG noted the concerns and suggestions by respondents. The group agreed to consider the suggested alternatives before making a final decision on the electricity incentive scheme.</p>		

TIG discussions	The TIG discussed the proposed alternative approaches for progressing the electricity incentive scheme. Consultation Two is seeking views on DCP 288A.
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Company	Confidential / Anonymous	15. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?	Working Group comments
British Gas	Non-confidential	No	Noted
E.ON UK	Non-confidential	No	Noted
First Utility	Non-confidential	Any significant changes to the current change proposal should be reflected in the gas theft detection incentive scheme.	
Flow Energy	Non-confidential	N/A	
Scottish Power Energy retail Limited	Non-confidential	Not at this time.	Noted
The Renewable Energy Company (Ecotricity)	Non-confidential	No comment.	Noted
Supplier 1	Anonymous	Positive impacts have already been mentioned by DCUSA.	Noted

		<p>Smart roll out – we are unsure how beneficial smart meters are going to be for energy theft. If smart is successful it could provide valuable leads, if not, we could waste valuable resource and revenue spuriously.</p> <p>The transition to Smart meters, AMR and HH, over time in most cases, potentially limits avenues to identify theft to the use of consumption analytics only rather than site visit data. Where a remote reading meter has been installed the need to visit a customer's property will become ever more redundant. This could potentially lead to fewer confirmed theft cases as a whole</p>	
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Company	Confidential/ Anonymous	16. Do you have any further comments?	Working Group comments
British Gas	Non-confidential	No	Noted
E.ON UK	Non-confidential	No further comments	Noted
First Utility	Non-confidential	No	Noted
Flow Energy	Non-confidential	N/A	Noted
Scottish Power Energy retail Limited	Non-confidential	Our belief is that the Impact Assessment undertaken by Ofgem in 2014 is key to establishing the Theft Target and the size of the incentive pot. We also believe the accuracy of these two areas as critical to the success of the incentive scheme.	Noted

		<p>We therefore request that these two areas are reviewed by the Theft Issues Group to safeguard applicability.</p> <p>We would also ask that the Theft Issues Group reviews what (if any) impact Smart will have on the incentive scheme.</p>	
The Renewable Energy Company (Ecotricity)	Non-confidential	We have no further comments to provide.	Noted
Supplier 1	Anonymous	<p>We are also concerned that if year on year the maximum potential of theft cases are fully exhausted, how will the targets for next year be set? Will there be any supplier working groups to share best practice.</p> <p>We are also concerned about the relatively low success rate of TRAS. Will the targets be reviewed based on TRAS tamper success rates.</p> <p>The scheme itself incentivises suppliers on the number of confirmed theft cases, but ignores the steps taken prior or the investigations take place. Suppliers should be incentivised on the steps and investigations which may or may not have led to a confirmed theft. Theft may not always be occurring and therefore a supplier should not be penalised for the lack of confirmed cases. We feel the scheme doesn't account for suppliers who may not hit targets set but invest sufficient time and resource into the theft detection process.</p> <p>What are the consequences if all participating suppliers hit or exceed their targets? Will there be any funds</p>	Noted

		<p>available to distribute? Also what becomes of the pot where all suppliers fail targets?</p> <p>Though the principles go some way to providing a push to suppliers to do more for theft, a wider view of Group Correction Factor should be considered. The result of the scheme would be to charge the supplier in addition to what they already pay into GCF. However targeting theft is a step forward by encouraging suppliers to recognise their impact on GCF. Therefore should the scope of what is included be widened to those cases investigated for unallocated volume which could be a theft but on investigation aren't but positively impact the GCF.</p>	
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