

Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 288A:</h1> <p><i>(Code Administrator to issue reference)</i></p> <h2>Introduction of the Electricity Theft Detection Incentive Scheme (Alternate)</h2> <p><i>4 April 2017</i> <i>Carl Whitehouse</i> <i>First Utility</i> <i>Domestic Supplier</i></p>		<p>01 – Change Proposal</p> <p>02 – Consultation</p> <p>03 – Change Report</p> <p>04 – Change Declaration</p>
<p>Purpose of Change Proposal:</p> <p>To provide an alternative proposal to DCP 288 (Introduction of Electricity Theft Detection Incentive Scheme) in line with Ofgem’s decision document entitled “<i>Tackling electricity theft – the way forward</i>” published on 4th March 2014</p>		
	<p>Governance:</p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> • Part 1 Matter • Treated as a Standard Change • Proceed to Theft Issues Working Group <p>The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	<p>Impacted Parties: Suppliers</p>	
	<p>Impacted Clauses: New Schedule XX</p>	

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7 Impacts & Other Considerations	7  07545 209826
8 Implementation	Other: Jeremy Guard
9 Recommendations	 jeremy.guard@first-utility.com
	 07800 912665
Indicative Timeline	
<i>Please provide the proposers contacts (to the right). The indicative timeline will be updated by the Code Administrator.</i>	
The Secretariat recommends the following timetable:	
Change Report Approved by Panel	dd month year
Change Report issued for Voting	dd month year
Party Voting Closes	dd month year
Change Declaration Issued to Parties	dd month year
[Change Declaration Issued to Authority]	dd month year
[Authority Decision]	dd month year

1 Summary

What

The intent of this CP is to introduce into the DCUSA an Electricity Theft Detection Incentive Scheme in line with the principles set out by Ofgem within their decision document entitled “Tackling electricity theft – the way forward” published on 14th March 2014.

[This CP is intended to provide an alternative to DCP 288 and how the Electricity Theft Detection Incentive Scheme is calculated for independent suppliers and future new entrants to the Electricity market.](#)

Why

In March 2014 British Gas raised 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.

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.

[DCP 288 is based on the assumption that electricity theft is uniform across the whole market and that each supplier will have in its portfolio an equal proportion of electricity theft to investigate. This alternative change proposal seeks to introduce a fairer approach to the Theft Detection Incentive Scheme for independent suppliers.](#)

How

The overall aim of the incentive scheme is to encourage Suppliers to detect theft at a level that is beneficial for consumers, taking into account the costs and other impacts of this activity.

- An industry-level Theft Target, to be met by all suppliers, will be established for each year of the scheme. For the purposes of the first year of the scheme the target will be set at 32,000 confirmed thefts split 28,000 domestic and 4,000 commercial in line based on the Ofgem “Tackling Electricity Theft – The way forward Final Impact Assessment” document dated 4th March 2014.
- A robust methodology should be established to identify the costs that suppliers are likely to incur in achieving the Theft Target. The total value of these costs should be used to set the size of the incentive pot. For the first year of the incentive scheme the incentive pot will be set at £12.8m in line with the above mentioned Ofgem Final Impact Assessment.
- [The Confirmed Theft target for suppliers with <2m supply points will be adjusted by a percentage each year. The adjustment percentage shall 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.](#)
- [Suppliers with >= 2m electricity supply 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.](#)
- The incentive pot should be paid out to suppliers at the end of each period in proportion to the number of thefts identified in each market segment.
- The incentive would only be paid if the confirmed theft meets the definition of “Confirmed Theft” as introduced into the DCUSA by change proposal DCP 267.
- The TRAS Service Provider will provide an annual report to the DCUSA secretariat detailing the number of “Confirmed Thefts” reported by each supplier.
- The DCUSA secretariat will be responsible for calculation of the financial debits and credits resulting from the operation of the scheme and for the overall administration of the scheme.

2 Governance

Justification for Part 1 and Part 2 Matter

This change should be treated as a Part 1 matter as First Utility believes:

- a) it is 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) it is likely to have a significant impact on competition in one or more of:

i. the supply of electricity;

~~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~~

[as it apportions Confirmed Theft targets more accurately across Electricity Suppliers](#)

Requested Next Steps

This Change Proposal should:

- Be treated as a Part 1 Matter
- Be treated as a Standard Change
- Proceed to Theft Issues Working Group

3 Why Change?

Background

In March 2014 British Gas raised 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.

On 26th October 2015 Ofgem approved CP 14/268 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. (SPAA CP 16/327 has been accepted by the SPAA Change Board and is currently with Ofgem for decision).

[The energy market has changed dramatically since the original Ofgem report in March 2012 and subsequent SPAA changes approved in 2014/15 \(despite no independent supplier input to workgroup meetings and 3 of 6 incumbent suppliers rejecting the solution and implementation technique at Change Board meeting 18 December 2014\); in particular the number of suppliers operating in the market has increased. Large numbers of consumers have switched from large suppliers to independent 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 engaging in theft and;](#)

[\(ii\) They have already found a way to reduce their energy bill so why would they bother switching?](#)

[An Ofgem press release published on Monday 27 February 2017 shows that switching rates hit a six-year high in 2016. The figures showed that 1.7m more gas or electricity switches took place last year, a 28% improvement on 2015's level. This represented 15.8% of all customers. Nearly half \(47%\) of the 7.7mn switches in 2016 were to small or medium suppliers as these continue to grow and attract new customers.](#)

The Electricity Theft Detection Incentive Scheme

[The Confirmed Theft target for electricity suppliers with <2m supply points will be adjusted by a percentage each year. The adjustment percentage shall 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 of 100% in scheme year 3. This mechanism ensures a fairer approach in that electricity theft is not uniform across all suppliers and also provides new market entrants time to define theft detection processes.](#)

[The Electricity Theft Detection Incentive Scheme for electricity suppliers with >2m supply points \(at the start of each scheme year\) will be responsible for the remaining percentage of Confirmed Theft target based on market share percentage.](#)

[The incentive scheme pots will remain split by Commercial and Domestic supply points along with each theft detection value remaining at £400 as per DCP 288.](#)

Part B: Code Specific Details

4 Solution and Legal Text

The introduction of an Electricity Theft Detection Incentive Scheme will require the addition of a number of new definitions under 1.1 of the DCUSA and a new Electricity Theft Detection Incentive Scheme schedule. The Legal text will be delivered by the Theft Issues Group.

5 Code Specific Matters

SPAA CP 14/268 and SPAA CP 16/327

Ofgem decision letter on SPAA CP 14/268 published 26th October 2015

Ofgem decision document “Tackling electricity theft – the way forward” published 4th March 2014

[Ofgem press release “Switches up by nearly 30% as millions go energy shopping” published 27 February 2017](#)

[Ofgem document “Tackling Electricity Theft – The way forward Final Impact Assessment” published 4 March 2014](#)

6 Relevant 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
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
<input type="checkbox"/> 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
<p>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.</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. 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>	

7 Impacts & Other Considerations

Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No

Does this Change Proposal Impact Other Codes?

- BSC
- CUSC
- Grid Code
- MRA
- SEC
- Other
- None

Consideration of Wider Industry Impacts

N/A

Confidentiality

N/A

8 Implementation

Proposed Implementation Date

This CP should be implemented 5 Working Days after Authority Decision and the Scheme Year to start on the first day of the calendar month, two months after Authority Decision.

9 Recommendations

Part C: Guidance Notes for Completing the Form

Ref	Section	Guidance
1	Attachments	Append any proposed legal text or supporting documentation in order to better support / explain the CP.
2	Governance	<p>A CP must be categorised as a Part 1 or Part 2 matter in accordance with Clause 10.4.7 of the DCUSA. All Part 1 matters require Authority Consent.</p> <p>Part 1 Matter</p> <p>A change Proposal is considered a Part 1 Matter if it satisfies one or more of the following criteria:</p> <ul style="list-style-type: none"> a) it is likely to have a significant impact on the interests of electricity consumers; b) it is likely to have a significant impact on competition in one or more of: <ul style="list-style-type: none"> i. the generation of electricity;

		<ul style="list-style-type: none"> ii. the distribution of electricity; iii. the supply of electricity; and iv. any commercial activities connected with the generation, distribution or supply of electricity; <p>c) it is likely to discriminate in its effects between one Party (or class of Parties) and another Party (or class of Parties);</p> <ul style="list-style-type: none"> i. it is directly related to the safety or security of the Distribution Network; and ii. it concerns the governance or the change control arrangements applying to the DCUSA; and iii. it has been raised by the Authority or a DNO/IDNO Party pursuant to Clause 10.2.5, and/or the Authority has made one or more directions in relation to it in accordance with Clause 11.9A. <p>Part 2 Matter</p> <p>A CP is considered a Part 2 Matter if it is proposing to change any actual or potential provisions of the DCUSA which does not satisfy one or more of the criteria set out above.</p>
<p>3</p>	<p>Related Change Proposals</p>	<p>Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.</p>
<p>4</p>	<p>Proposed Solution and Draft Legal Text</p>	<p>Outline the proposed solution for addressing the stated intent of the CP. The Change Proposal Intent will take precedence in the event of any inconsistency. A DCUSA Working Group may develop alternative solutions.</p> <p>The plain English description of the proposed solution should include the changes or additions to existing DCUSA Clauses (including Clause numbers).</p> <p>Insert proposed legal drafting (change marked against any existing DCUSA drafting) which enacts the intent of the solution. The legal text will be reviewed by the Working Group (if convened) and is likely to be subject to legal review as part of its progress through the DCUSA change process.</p>

5	Proposed Implementation Date	<p>The Change can be implemented in February, June, and November of each year or as an extraordinary release. For Charging Methodology CPs, select an implementation date which takes into consideration the minimum notice periods for publishing tariffs. These are:</p> <ul style="list-style-type: none"> • 15 months, for DNOs acting within their Distribution Services Areas; or • 14 months, for IDNOs and DNOs acting outside their Distribution Services Area. <p>Please select an implementation date that provides sufficient time for the Change to be incorporated into the appropriate charging model and the DCUSA in order to be reflected in future tariffs.</p> <p>Contact the DCUSA helpdesk for any further information on the releases dcusa@electralink.co.uk.</p>
6	Impacts & Other Considerations	<p>Indicate whether this Change Proposal will be impacted by or have an impact upon wider industry developments. If an impact is identified, explain why the benefit of the Change Proposal may outweigh the potential impact and indicate the likely duration of the Change.</p>
7	Environmental Impact	<p>Indicate whether it is likely that there would be a material impact on greenhouse gas emissions as a result of the proposed variation being made. Please see Ofgem Guidance.</p>
8	Confidentiality	<p>Clearly indicate if any parts of this Change Proposal Form are to remain confidential to DCUSA Panel (and any subsequent DCUSA Working Group) and Ofgem</p>
9	DCUSA General Objectives	<p>Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.</p>
10	Detailed Rationale for DCUSA Objectives	<p>Provide detailed supporting reasons and information (including any initial analysis that supports your views) to demonstrate why the CP will better facilitate each of the DCUSA Objectives identified.</p>
11	DCUSA Charging Objectives	<p>Indicate which of the DCUSA Charging Objectives will be better facilitated by the Change Proposal. Please note that a CDCM or EDCM change may also facilitate the DCUSA General objectives.</p>
12	Defining 'Material' for Charging Methodology Changes	<p>In respect of proposals to vary one or more of the Charging Methodologies, such proposals shall be deemed to be "material" if they might reasonably be expected to have a significant impact on the tariffs calculated under one or more of the methodologies.</p>