

**SCHEDULE xxx The Electricity Theft Detection Incentive
Scheme**

1. **INTRODUCTION**

- 1.1 This Schedule establishes and explains the process and obligations associated with the operation of the Electricity Theft Detection Incentive Scheme.
- 1.2 The Electricity Theft Detection Incentive Scheme (referenced as ‘The Scheme’ within the rest of this Schedule) applies to all Electricity Supplier Parties and all Metering Points.
- 1.3 This Scheme applies by reference to successive periods of 12 months starting on 1st February 2018 (each a “**Scheme Year**”). The first Scheme Year will consist of 15 months starting on 1st February 2018 until 31st May 2019. This is to ensure The Scheme is aligned with SPAA Schedule 39 (Gas Theft Detection Incentive Scheme). Each Scheme Year commences on the 1st of June.
- 1.4 The Scheme is concerned with the detection of Confirmed Theft (as defined in Clause 1.1 of the main body of this Agreement). Supplier Parties shall ensure that in cases of a Confirmed Theft, appropriate remedial steps shall be undertaken to stop the Theft of Electricity from continuing.

2. **THEFT TARGETS**

- 2.1 The Scheme will be operated within two distinct sections, with individual incentive pots being established for both sections.
- 2.2 The two Scheme sections will be defined as one for Domestic Metering Points and one for Commercial Metering Points.
- 2.2.2.3 For the purposes of The Scheme references to Domestic mean references to Residential within the TRAS and the data submitted to the TRAS Service Provider by Suppliers.
- 2.3.2.4 The Scheme will be operated on the premise that a Theft Target is established and published in advance of the commencement of each Scheme Year, which determines the targeted number of Confirmed Theft detections within the stated Scheme Year period.
- 2.4.2.5 A separate Theft Target will be established for each section of The Scheme as defined within paragraph 2.2
- 2.5.2.6 The Theft Target will subsequently be used to establish the size of The Scheme incentive pots for that Scheme Year (SY)(as described in paragraph 4).
- 2.6.2.7 For the initial Scheme Year (SY1) the Theft Target will be based upon a total of 352,000 Confirmed Theft detections per year¹ in aggregate across both sections of The Scheme. With a specific breakdown of 3128,000 Confirmed Theft detections for the Domestic sector Scheme section and 4,000, Confirmed Theft detections for the Commercial sector Scheme section. This breakdown has been based upon the

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

detail in the Ofgem ‘Tackling Electricity Theft – The way forward Final Impact Assessment’ document 4th March 2014.

2.72.8 For the Scheme Year 2 (SY2) the Theft Target and breakdown by sector will be set at the same level as Scheme Year 1 (SY1) unless there is sufficient data available for the Scheme Administrator to complete the ‘Theft Methodology Review’ as described in paragraph 2.98.

2.82.9 The DCUSA Panel shall ensure that the TRAS Service Provider undertakes a review during the second and each subsequent Scheme Year, known as the “Theft Methodology Review” to establish the overall Theft Target (and the relevant split of the overall target between The Scheme sections) for the following Scheme Year. The review activity will utilise any and all theft detection volumetric evidence available, including any information relating to historic theft detections pre SY1.

2.92.10 Where the TRAS Service Provider establishes new Theft Targets or proposes amendments to the split of Theft Targets between The Scheme sections, the DCUSA Panel shall ensure that the TRAS Service Provider provides a clear, evidence based rationale for all such changes.

2.102.11 The DCUSA Panel shall ensure that the TRAS Service Provider will complete the review and publish new Theft Targets before the commencement of the Scheme Year that the new targets will be relevant for.

2.112.12 The output of the Theft Methodology Review will be an evidence based report that should be published to all Supplier Parties, the DCUSA Panel and the Authority.

2.122.13 The Theft Targets set out in the report referred to in paragraph 2.11 will be subject to the approval of the DCUSA Panel. The Theft Targets will not need to be implemented by a Change Proposal and will not require approval by the Authority.

2.132.14 The detailed arrangements for determining Theft Targets for Scheme Years following SY2, and for preparing the annual Theft Methodology Review, are (or are to be) documented in the TRAS Contract.

2.142.15 Where the Theft Targets proposed by the TRAS Service Provider for a Scheme Year are not approved by the DCUSA Panel, then the same Theft Targets as applied to the previous Scheme Year shall apply.

3. THEFT DETECTION VALUE

- 3.1 The Scheme will be established and operated on the premise that each theft detection will qualify for an incentive payment, the “Theft Detection Value”. For the initial Scheme Year (SY1) this will be set at the rate of £400 per Confirmed Theft detection.
- 3.2 There will be a requirement on the Secretariat to establish the precise split between the different types of theft but an assumed split of £124.42 million for Domestic Theft and £1.6 million for Commercial Theft. (This implies that up to 31,000 Domestic and 4,000 Commercial. Confirmed Theft detections will qualify for the Confirmed Theft Detection Value at the rate of £400 per detection).
- 3.4 For future Scheme Years (after SY2), there will be a requirement for the Secretariat to adjust the Theft Detection Value in line with the relevant percentage change in the

Consumer Price Index (CPI) or by another methodology as agreed by the DCUSA Panel. The Theft Detection Value shall be published in adequate time ahead of the commencement of each Scheme Year.

4 INCENTIVE SCHEME POTS

- 4.1 The Scheme will provide the Domestic and Commercial sections with individual incentive scheme pots.
- 4.2 The size of the individual pots for the Domestic and Commercial sections of The Scheme will be calculated individually in advance of each Scheme Year, based upon the following methodology.

$$(X * Y)$$

Where:

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

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

- 4.3 Based upon the formula detailed within paragraph 4.2, the proposed size of the individual incentive pots for the Domestic and Commercial sections of The Scheme, for the SY1 and the following SY2 will be as follows:

Table 1

Scheme Year 1

Domestic Incentive Pot: £1~~21.42~~m (~~3128~~,000 x £400)

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

Notes:

- All values within *Table 1* are based upon the assumption that all Supplier Parties participate in the Scheme from day 1, and are calculated in accordance with the values presented within the Authority's Final Impact Assessment.
- The Theft Detection Values within *Table 1* were based on Ofgem published data in 2014..

4.4 The Supplier's ~~individual Theft Target will be based on its~~ market share figures will be determined for each Scheme Year, using the latest Metering Point portfolio data information held by the Secretariat under the most recent report received under Clause 12.12.1 of the main body of this Agreement, at the time of the calculation under paragraph ~~4.5~~ 4.10.

4.5 For Scheme Year 1 Domestic market share figures will be reduced by 67% (or a percentage determined by the Authority) for Suppliers with less than 2m Domestic Metering Points. These reductions of Domestic market share figures will be applied proportionately by Domestic market share to Suppliers with greater than or equal to 2m Domestic Metering Points using the following formula:

$$\text{MMS} + (\text{MMS} * (1 / \text{SUMGE2})) * (\text{LT2} * 0.67)$$

Where:

MMS = Supplier x that =>2m Domestic Metering Points market share

SUMGE2 = Sum of Domestic Metering Point market share for Suppliers =>2m Domestic Metering Points

LT2 = Sum of Domestic Metering Point market share for Suppliers < 2m

4.6 For Scheme Year 2 Domestic market share figures will be reduced by 33% (or a percentage determined by the Authority) for Suppliers with less than 2m Domestic Metering Points. These reductions of Domestic market share figures will be applied proportionately by Domestic market share to Suppliers with greater than or equal to 2m Domestic Metering Points using the following formula:

$$\text{MMS} + (\text{MMS} * (1 / \text{SUMGE2})) * (\text{LT2} * 0.33)$$

Where:

MMS = Supplier x that =>2m Domestic Metering Points market share

SUMGE2 = Sum of Domestic Metering Point market share for Suppliers =>2m Domestic Metering Points

LT2 = Sum of Domestic Metering Point market share for Suppliers < 2m

4.7 For Scheme Year 3 onwards the market share figure will not be reduced for Suppliers with less than 2m Domestic Metering Points. Suppliers market share figures will be determined using the latest Metering Point portfolio data information held by the Secretariat.

4.8 There will be no reduction of Commercial market share figures to reduce a Supplier's individual Theft Target.

4.4.9 Suppliers individual Theft Target will be based on its market share figures as determined by paragraph 4.4 through to paragraph 4.8.

4.54.10 At least 10 Working Days before the commencement of each Scheme Year, the Secretariat will establish and confirm to each individual Supplier Party and the Authority upon request, the Supplier Party's calculated Domestic Supply and Commercial Supply Theft Targets. Where a calculated Theft Target is under 1, the Supplier Party will be exempt from the relevant Scheme Section (Domestic Supply or Commercial Supply) for the relevant Scheme Year. Theft Targets of 1 and over will be rounded to the nearest whole number. A Supplier Party with a Theft Target of less than 1 can opt into The Scheme on an annual basis (by notice to the Secretariat before the start of each Scheme Year) if they choose to do so.

4.64.11 Supplier Parties which are exempt from a relevant Scheme Year and which do not opt into The Scheme, are in no way relieved of their Supply Licence obligations to prevent, detect and investigate theft.

5 **REPORTING CONFIRMED THEFTS**

- 5.1 Theft offences which are in scope for submission under The Scheme are only those that satisfy the definition of Confirmed Theft.
- 5.2 From the start of the Scheme Year, Supplier Parties may report (and subsequently withdraw if necessary) Confirmed Thefts in accordance with the TRAS arrangements.
- 5.3 The introduction of The Scheme will not change the content or type of data that must be submitted by Supplier Parties to the TRAS Service Provider. All submissions will need to be undertaken, in terms of format, content and communication, in accordance with the prevailing TRAS arrangements.
- 5.4 The DCUSA Panel shall ensure that the TRAS Service Provider provides the Secretariat with details of the number of Confirmed Thefts detections reported in a month by each Supplier Party within 10 Working Days of the following month.
- 5.5 The Secretariat will produce and send to each participating Supplier Party, the DCUSA Panel and the Authority an anonymous overall Indicative Scheme Summary Report (for each of The Scheme months 1 to 11), within 10 Working Days of the report being sent. Should any data within the Indicative Scheme Summary Report change as a result of an issue being raised within that period (but not later); a revised report will be issued to each participating Supplier Party, the DCUSA Panel and the Authority.
- 5.6 The Indicative Scheme Summary Report will be developed by the Secretariat, but should detail the aggregate number of Confirmed Theft detections recorded for the relevant Scheme month for each Supplier Party against their relevant Theft Target, within each market sector and the cumulative number of Confirmed Theft detections recorded by all Supplier Parties, for each market sector, for The Scheme Year to date.
- 5.7 The Secretariat shall advise each participating Supplier Party of their individual identifier within the anonymous Indicative Scheme Summary Report. The Supplier Party identifiers will also be provided to the Authority.
- 5.8 To be eligible for inclusion within The Scheme, any Confirmed Theft detections confirmed within a calendar month must be provided to the TRAS Service Provider by the 5th Working Day after the 5th calendar day of the second month after the date when the theft was confirmed. This will ensure that Supplier Parties report theft offences in a consistent and timely manner, preventing the build-up and submission of bulk reports, which may cause a skewing of information reported on a monthly basis or towards the end of the Scheme Year.
- 5.9 Any theft offence reports not issued within the timeframe required by paragraph 5.8 will be excluded from The Scheme. It will not be possible for late theft offence reports to be presented in the following years Scheme Year as only thefts identified within the specified start and end dates of the Scheme Year will be eligible.
- 5.10 The DCUSA Panel shall ensure that the TRAS Service Provider provides the Secretariat with an annual report, detailing the number of Confirmed Thefts reported by each participating Supplier Party that meets the requirements set out in paragraph 5.8 for each Scheme Year, within 60 calendar days of the end of a Scheme Year. For visibility and reporting purposes only, the TRAS Service Provider will be required to record and report to the Secretariat details of any theft offence reports which are not able to be applied to any particular Scheme Year. Whilst any such theft offence report will not be able to be applied to the Scheme, all thefts should be considered as

part of the Theft Methodology Review activity undertaken annually by the TRAS Service Provider.

- 5.11 The Secretariat will issue an anonymous overall final report (the “Scheme Year Summary Report”, within 80 calendar days after the end of each Scheme Year, to each participating Supplier Party, the DCUSA Panel and The Authority, detailing the total number of valid Confirmed Theft detections recorded for the Scheme Year for each Supplier Party against their relevant Theft Target within each market sector and the cumulative number of Confirmed Theft detections recorded by all Supplier Parties for each market sector, for the whole Scheme Year.

6 DEBITS AND CREDITS

- 6.1 The Secretariat will be responsible for the calculation of the financial debits and credits resulting from The Scheme, in accordance with the rules of The Scheme, utilising the information provided within the Scheme Year Summary Report.
- 6.2 All debits and credits associated with the Scheme Year will be calculated by the Secretariat based on the total number of Confirmed Thefts shown within the final Scheme Year Summary Report, covering the full twelve month period of the Scheme Year and utilising Supplier market share figures based on the figures utilised at the commencement of that Scheme Year, as per [4.5 to 4.7](#).

This will be done using the following formula:

$$(X \times (\text{STD} / \text{TTD})) - (X \times \text{MMSMSF})$$

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

Where:

X is the total value of the scheme amended in line with the percentage change in CPI² between the index published for the start and the end of the Scheme Year.

STD is the number of Confirmed Theft detections recorded by the Supplier.

TTD is the total number of Confirmed Theft detections recorded in The Scheme Year.

[MMS-MSF](#) is the [Metering Point](#) market share [figures determined in 4.4 to 4.6](#) (excluding any sites which may be deemed out of scope under the rules of The Scheme) of the Supplier expressed to four decimal places.

- 6.3 Once calculated, notification of the relevant debit and credit values will be communicated to each individual Qualifying Supplier Party by the Secretariat, within 80 calendar days after the end of the Scheme Year.
- 6.4 A “Qualifying Supplier Party” is a Supplier Party who has been active in the market throughout the whole Scheme Year, i.e. it excludes any new market entrants that have entered the electricity market during that Scheme Year, or any Supplier Party that has successfully withdrawn from the market during that Scheme Year. This will ensure

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

that those entering or leaving the market during a Scheme Year are not unfairly disadvantaged.

- 6.5 For ease of administering the process for issuing The Scheme credits and debits, this activity will be undertaken by the Secretariat via existing Supplier Party invoicing arrangements. All debit invoices issued under The Scheme will be subject to the normal DCUSA payment terms as set out in Clause 8 of the main body of this Agreement. Credits to eligible Supplier Parties will be issued as soon as reasonably practicable, following the receipt of payment of The Scheme debits.
- 6.6 Non payment of Scheme debit invoices will be treated in the same manner as the non payment of DCUSA invoices, with the same sanctions being applicable. Notification of non payment will also be reported to the Authority for information.
- 6.7 Arrangements should be such that DCUSA Ltd is never faced with a financial deficit associated with The Scheme but credits can start to be issued prior to collection of 100% of all Scheme debits.
- 6.8 The issuing of credits from The Scheme should be done in such a way as to not discriminate between Supplier Parties. This should be achieved by paying out the proportion of The Scheme credits to all eligible Supplier Parties commensurate to the proportion of Scheme debits received at that time.

7 GENERAL

- 7.1 Supplier Parties will be required to self-certify (in a format determined by the DCUSA Panel) that all Confirmed Theft detections are in accordance with the definition of Confirmed Theft under DCUSA.
- 7.2 The DCUSA Panel reserves the right to conduct an audit of Supplier Party's evidence for Confirmed Thefts.