

DCP 054 Working Group**Incentive scheme evaluation against agreed criteria****Scheme name – Reasonable Endeavours****1. How will the scheme operate, i.e. a technical description and simple worked example?**

- 1.1 Suppliers would be able to recover costs incurred in pursuing theft of electricity cases up to a maximum of £1000 per category of cost.

2. How will the scheme be funded?

- 2.1 2.1 Claims made to Distributor and costs smeared across all suppliers through Duos charges.

3. What are the rewards/ expected benefits of the scheme?

- 3.1 3.1 By allowing suppliers to claim the full cost associated with theft detection in the Reasonable Endeavours Scheme, the current perverse incentive to detect theft will be removed, leading to an increase in supplier investment and a reduction in theft.
- 3.2 Costs which a Supplier reasonably incurs during the course of detecting theft of gas, but which cannot be recovered through a Reasonable Endeavours Scheme are currently passed through to customers in the form of higher charges. Thus the deficiencies within the current scheme directly impact the wider, law-abiding, population.
- 3.3 Furthermore, we believe that in excess of £220m of electricity is stolen each year, an amount which will inevitably be passed through to the customer in the form of higher charges. This scheme will reduce the amount of theft in the industry and therefore reduce the costs which are passed through to customer, reducing bills.
- 3.4 The proposal will include a process whereby suppliers will need to substantiate their claims. Suppliers will have to explain how their claim is constructed, item by item. This in itself will provide protection, preventing “gaming” of the process and ensuring that money is only distributed to those who have incurred cost.
- 3.5 The scheme will need to have effective controls in place to ensure that spurious, inaccurate or incomplete claims are not be paid.

4. What will the coverage be e.g. National/Domestic?

- 4.1 National

5. When could the scheme start / be effective from?

- 5.1 Funding arrangements would need to be resolved as currently distributors are not allowed revenue to fund such a scheme.

6. How would the scheme be implemented?

- 6.1 A centrally administered scheme based on the equivalent gas process.
- 6.2 The scheme could sit within DCUSA with rules and payment levels defined within a separate schedule.

7. How will performance be measured?

- 7.1 Reporting could be provided to all parties on the level of payments made to each supplier.

8. How will the scheme be monitored /audited?

- 8.1 Rules would need to sit within DCUSA that Suppliers would need to abide by before payments could be made to suppliers. Distributors would be responsible for ensuring payments were only made for genuine claims. Ofgem should have rights to audit scheme.

9. How will reporting work under the scheme?

- 9.1 Reporting could be provided to all parties on the level of payments made to each supplier.

10. What governance framework is required – where will the scheme sit?

- 10.1 Scheme should sit within DCUSA

11. Are there any disadvantages of implementing this scheme?

- 11.1 Additional costs incurred in administering the scheme but these should be offset by increase in theft detection and reduction in losses.