

Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 351</h1> <h2>Recovery of Incorrectly Paid Incentive Scheme Credits</h2> <p><i>Date raised: 10 September 2019</i></p> <p><i>Proposer Name: Alex Cebo</i></p> <p><i>Company Name: EDF Energy</i></p> <p><i>Company Category: 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>The intent of this Change Proposal is to introduce a mechanism for the recovery of Theft Detection Incentive Scheme payments which have been found to have been incorrectly paid.</p>		
	<p>Governance:</p> <p>The Proposer recommends that this Change Proposal (CP) should be:</p> <ul style="list-style-type: none"> • Part 2 Matter • Treated as a Standard Change • Proceed to the Change Report phase <p>The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	<p>Impacted Parties:</p> <p>DCUSA Parties: Suppliers</p>	
	<p>Impacted Clauses:</p> <p>Schedule 30 of DCUSA – The Electricity Theft Detection Incentive Scheme</p>	

Contents

1	Summary	3
2	Governance	4
3	Why Change?	4
4	Solution and Legal Text	5
5	Code Specific Matters	5
6	Relevant Objectives	5
7	Impacts & Other Considerations	6
8	Implementation	7
9	Recommendations	7

 Any questions?

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Indicative Timeline

The Secretariat recommends the following timetable:

Initial Assessment Report	17 September 2019
Change Report Approved by Panel	16 October 2019
Change Report issued for Voting	18 October 2019
Party Voting Closes	8 November 2019
Change Declaration Issued to Parties	12 November 2019
Implementation	27 February 2020

1 Summary

What?

- 1.1 The Electricity Theft Incentive Detection Scheme (ETDIS) went live in June 2018. The Scheme year runs from 01 June to 31 May each year and consists of two incentive pots, one for the Residential sector and one for the Commercial sector. The Theft Target for each sector is specified in within SPAA and DCUSA and each target is then apportioned to Suppliers based on their market share calculation ahead of the start of the Scheme Year. Suppliers report 'Confirmed Thefts' into the scheme through the Theft Risk Assessment Service (TRAS) arrangements.
- 1.2 The Electricity Theft Detection Incentive Scheme (ETDIS) makes debit or credit payments to Electricity Suppliers based on the number of confirmed thefts that they identify. The payments are calculated using the number of confirmed thefts that are self-reported by each Supplier into the TRAS.
- 1.3 In accordance with DCUSA Schedule 30 Paragraph 8.3, the Panel reserves the right to conduct an audit of Suppliers' evidence of confirmed thefts. An audit of the ETDIS has not yet been conducted, however, for the Gas Theft Detection Incentive Scheme (GTDIS) the Supply Point Administration Agreement (SPAA) Executive Committee (EC) appointed BDO as auditors to carry out such an audit for thefts confirmed during the first year of the GTDIS (June 2017 – May 2018). This audit was undertaken during December 2018 to January 2019, with BDO's findings presented at the March SPAA Board meeting.
- 1.4 Of the 100 confirmed thefts investigated by BDO during the audit, 99 were found to meet the definition of a Confirmed Theft. However, BDO did identify one investigation file which should not have been registered as a Confirmed Theft. The Supplier that submitted this instance had two instances audited as part of the BDO's initial sample and the other instance was found to meet the definition of a Confirmed Theft. All other Confirmed Thefts submitted by this Supplier were subsequently audited and it was found that out of a total of 12 Confirmed Thefts submitted by the Supplier during the first year of the GTDIS, four were incorrectly confirmed as Theft, and thus resulted in an incorrect incentive scheme payment. At present there is no mechanism within SPAA or DCUSA to recover incorrectly paid incentive scheme amounts.

Why?

- 1.5 This CP has been raised to introduce a mechanism into Schedule 30 of the DCUSA to address situations where a Supplier has received Incentive Scheme payments for reported Confirmed Thefts, which upon audit are found not to be evidenced.
- 1.6 Where a Supplier has received incentive scheme payments for incorrectly Confirmed Thefts, this reduces the funds for distribution to Suppliers with genuine Confirmed Thefts. This means that other Suppliers participating in the incentive scheme are being unfairly disadvantaged.

How?

- 1.7 At the June Theft Issues Group (TIG) meeting, the group discussed how best to address instances where a credit payment has been incorrectly made. Members of the TIG agreed that rather than run an extra payment round mid-year, the best approach would be to recover the incorrect payment and re-distribute it to other participating Suppliers alongside the annual payments for the next Scheme Year. It was noted that this approach will minimise the associated administrative costs.
- 1.8 The TIG noted that there is a small risk that the Supplier in question may enter administration during the interim period, however, it was agreed that this risk is negligible.
- 1.9 The TIG also considered that the materiality of the incorrectly received payment and the associated administrative costs of carrying out the re-distribution should be taken into account. Rather than setting a pre-determined threshold, the view of the group was that the DCUSA Panel should be invited to determine whether a financial adjustment should be made to reclaim an incorrectly paid credit on a case by case basis. It was agreed that the DCUSA Panel should also determine whether the Authority should be notified that the party has incorrectly received a credit.

2 Governance

Justification for Part 1 and Part 2 Matter

This Change Proposal should be classed as a Part 2 Matter as it does not meet the criteria that would require the Authority to make a decision.

Requested Next Steps

- 2.1 This Change Proposal should:
 - Be treated as a Part 2 Matter
 - Be treated as a Standard Change
 - Proceed to Change Report (as it has been refined by the Theft Issues Group)

3 Why Change?

- 3.1 Given the findings of the first audit undertaken with respect to the GTDIS and subsequent discussion by the TIG (as is set out in section 1 above), it was agreed that a CP be raised to introduce a mechanism for the recovery of Theft Detection Incentive Scheme payments which have been found to have been incorrectly paid. This will ensure that other DCUSA Parties participating in the ETDIS are not unfairly financially dis-advantaged by a Supplier incorrectly reports instances of Confirmed Theft.

Part B: Code Specific Details

4 Solution and Legal Text

Proposed Solution

- 4.1 As was noted in section 1 above, the TIG discussed how best to address instances where a credit payment has been incorrectly made and agreed that, where the DCUSA Panel agrees for an audit to be undertaken in accordance with paragraph 8.3 of Schedule 30, the best approach would be to recover the incorrect payment and re-distribute it to other participating Suppliers alongside the annual payments for the next Scheme Year. It was noted that this approach will minimise the associated administrative costs. The undermentioned text introduces obligations on the Secretariat to notify the DCUSA Panel where a credit payment has been incorrectly made to a Supplier.
- 4.2 Where a credit payment has been incorrectly made to a Supplier, the Secretariat shall, on a case-by-case basis, invite the DCUSA Panel to determine whether:
- (a) a financial adjustment should be made to re-claim an incorrectly paid credit amount; and/or
 - (b) the Authority is to be notified that the relevant Supplier has incorrectly received a credit amount.
- 4.3 If the DCUSA Panel determines that such a financial adjustment is necessary, then the Secretariat shall recover the amount which was incorrectly paid, and re-distribute a proportional amount to all

Proposed Legal Text

- 4.4 The proposed legal text amendments to Schedule 30 of the DCUSA is provided as Attachment 1.

5 Code Specific Matters

Reference Documents

- 5.1 N/A

6 Relevant Objectives

- 6.1 The Proposer believes that this CP better facilitates DCUSA General Objective 4 as this change will help to ensure effective administration of the TRAS service and help Suppliers meet their licence conditions.

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 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	None
<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 checked="" type="checkbox"/> 4 The promotion of efficiency in the implementation and administration of the DCUSA	Positive impact
<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

7 Impacts & Other Considerations

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

7.1 It is not believed that this CP impacts any of the SCRs currently in progress.

Consumer Impacts

7.2 It is believed that this CP will not have any impacts on general consumers.

Does this Change Proposal Impact Other Codes?

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

Consideration of Wider Industry Impacts

7.3 A similar change is being progressed to update Schedule 39 (Gas Theft Detection Incentive Scheme) of the SPAA.

Environmental Impacts

7.4 In accordance with DCUSA Clause 10.4.5A, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if this CP were implemented. The Proposer did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Confidentiality

7.5 This change is non-confidential.

8 Implementation

8.1 The proposed implementation date for this CP will be the first standard DCUSA release following Party approval, which is expected to be 27 February 2020.

9 Recommendations

9.1 Any recommendations of the Panel, following its initial assessment of the CP will added below: