




DCUSA Change Report		At what stage is this document in the process?
<h1>DCP 351</h1> <h2>Recovery of Incorrectly Paid Incentive Scheme Credits</h2> <p>Date raised: 10 September 2019</p> <p>Status of Change: Standard</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<b>Purpose of Change Proposal:</b> <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>This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 351 'Recovery of Incorrectly Paid Incentive Scheme Credits'.</p> <p>Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by <b>08 November 2019</b>.</p> <p>The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.</p> <p>If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> or telephone 020 7432 3008.</p>	
	 <p>Parties Impacted: <b>Suppliers</b></p>	
	 <p>Impacted Clauses: <b>DCUSA Schedule 30 (The Electricity Theft Detection Incentive Scheme)</b></p>	

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Any questions?

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Timetable

The timetable for the progression of the CP is as follows:

Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	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 Executive 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.
- 1.10 The proposed changes to DCUSA Schedule 30 are provided as Attachment 1.

## 2 Governance

### Justification Part 2 Matter

- 2.1 This Change Proposal should be classed as a Part 2 Matter as it does not have a material impact on DCUSA Parties and does not meet the criteria that would require the Authority to make a decision.

### Requested Next Steps

This Change Proposal should:

- Be treated as a Part 2 Matter
  - Be treated as a Standard Change
  - Proceed to the Change Report phase
- 2.2 The Change will need to be introduced on 27 February 2020.

## 3 Why Change?

### Background of DCP 351

- 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.

## 4 Solution

### DCP 351 Assessment

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

## 5 Relevant Objectives

### Evaluation Against the DCUSA Objectives

- 5.1 For a DCUSA Change Proposal to be approved, it must be demonstrated that it better meets the DCUSA Objectives. There are five General DCUSA Objectives and six Charging Objectives. The full list of objectives is documented in the CP form provided as Attachment 3.
- 5.2 The Proposer and the TIG consider that DCP 351 better facilitates the following DCUSA General Objective: is better facilitated by DCP351:

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

- 5.3 General Objective 4 is better facilitated as this change will help to ensure the effective operation of TRAS arrangements through providing Suppliers with clear process for populating data items.

## 6 Impacts & Other Considerations

### Consumer Impacts

- 6.1 The Proposer did not identify any material impact on consumers from the implementation of this CP.

### Environmental Impacts

- 6.2 In accordance with DCUSA Clause 11.14.6, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if DCP 351 were implemented. The Proposer did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

## 7 Implementation

- 7.1 Subject to Party approval, DCP 351 will be implemented on 27 February 2020. As DCP 351 is classified as a Part 2 Matter, Authority determination is not required.

## 8 Legal Text

- 8.1 The proposed amendments to the legal text in Schedule 30 are set out within Attachment 1. The legal text has been reviewed by the TIG and the Proposer, who all agree that the amendments meet the intent of the CP.

## 9 Recommendations

### Panel's Recommendation

## 10 Attachments

- Attachment 1 – DCP 351 Legal Text

- Attachment 2 – DCP 351 Voting Form
- Attachment 3 – DCP 351 Change Proposal Form