
Energy Theft Reduction

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**SCHEDULE 7
Energy Theft Reduction**

Version: 3.0

Effective Date: 01 April 2023

Domestic Suppliers	Mandatory
Non-Domestic Suppliers	Mandatory
Gas Transporters	Mandatory
Distribution Network Operators	Mandatory
DCC	N/A
Metering Equipment Managers	N/A
Non-Party REC Service Users	N/A

Change History

Version Number	Implementation Date	Reason for Change
0.1	N/A	Initial version for industry consultation March 2020
1.1	15 January 2021	RECV1.1
2.0	1 September 2021	Revisions to define terms as part of digitisation
2.2	31 January 2022	R0020
3.0	01 April 2023	R0091

1 Introduction

- 1.1. This REC Schedule sets out arrangements concerning Energy Theft, and is designed to support compliance by Energy Suppliers with their obligations in Condition 12A of the Energy Supply Licence.
- 1.2. The objective of Condition 12A of the Energy Supply Licences include that Energy Suppliers individually, and where necessary in cooperation with other Energy Licence holders, detect Energy Theft, investigate suspected Energy Theft, prevent Energy Theft once detected, and prevent Energy Theft by other means such as deterrence.

2 [Theft Reduction Strategy](#)

- 2.1. The [REC Board](#) shall maintain and keep under review a strategy (the [Theft Reduction Strategy](#)) that is:
 - (a) designed to support [Energy Suppliers](#) in minimising [Energy Theft](#) in so far as is reasonably practicable in accordance with the objective set out in Condition 12A of the [Energy Supply Licences](#); and

(b) based on an up-to-date cost-benefit analysis.

3 Energy Theft Tip-Off Service

- 3.1. RECCo shall ensure that the ETTOS Service Provider provides the Energy Theft Tip-Off Service (ETTOS) as described in Annex 1.
- 3.2. Each Party shall comply with its respective obligations in respect of the ETTOS as set out in Annex 1.

4 Procurement of the TRAS

- 4.1. The REC Board shall procure, implement and thereafter maintain a Theft Risk Assessment Service (TRAS) as described in Annex 2.
- 4.2. Each Party shall provide such reasonable co-operation as the REC Board may request in relation to the procurement and maintenance of the Energy Theft Tip-Off Service and the Theft Risk Assessment Service.

5 Energy Theft Detection Incentive Scheme

- 5.1. RECCo shall administer the Theft Detection Incentive Scheme as described in Annex 3.
- 5.2. Each Party shall comply with its respective obligations in respect of the Theft Detection Incentive Scheme as set out in Annex 3.

6 Theft Estimation Methodology

- 6.1. The REC Board shall establish and maintain a methodology for determining a robust estimate of the aggregate amount of Energy Theft taking place in Great Britain (to be known as the Theft Estimation Methodology). The Theft Estimation Methodology can include a breakdown of estimated volumes of Energy Theft across identified consumer segments, and must (as a minimum) contain a breakdown between:

(a) gas and electricity; and

(b) Domestic Consumers and Non-Domestic Consumers.

- 6.2. Before establishing the Theft Estimation Methodology, the REC Board shall ensure that interested persons are consulted, including:

(a) Parties;

- (b) the [Authority](#); and
 - (c) each and every expert appointed under an [Energy Code](#) for the purposes of quantifying losses of gas and/or electricity.
- 6.3. The [REC Board](#) shall make the [Theft Estimation Methodology](#) available to [Parties](#) via the [REC Portal](#).
- 6.4. Once the [Theft Estimation Methodology](#) has been established or revised to the satisfaction of the [REC Board](#), the value contained in such [Theft Estimation Methodology](#) shall be used as the reference volume of [Energy Theft](#) for the purposes of this [Code](#).
- 6.5. The [REC Board](#) shall ensure that the [Theft Estimation Methodology](#) is periodically reviewed in consultation with interested persons (as referred to in Paragraph 6.2).
- 6.6. The [REC Board](#) shall report annually on [Confirmed Energy Thefts](#), the amount of gas and/or electricity which was the subject of such [Energy Thefts](#), and the progress that is being made in reducing that figure.

7 [Theft Target Methodology](#)

- 7.1. The [Code Manager](#) shall establish and maintain a methodology for determining annual targets for the number of [Confirmed Energy Thefts](#) to be identified by [Energy Suppliers](#) (to be known as the [Theft Targets](#) and the [Theft Target Methodology](#)), consistent with any design principles and objectives of the [TDIS](#) as may be set out in the [Theft Reduction Strategy](#) or otherwise instructed by [RECCo](#).
- 7.2. Before establishing the [Theft Target Methodology](#), the [Code Manager](#) shall ensure that interested persons are consulted, including:
- (a) [Parties](#);
 - (b) the [Authority](#);
 - (c) Citizens Advice and Citizens Advice Scotland; and,
 - (d) the [REC Performance Assurance Board](#).
- 7.3. The [Code Manager](#) shall make the [Theft Target Methodology](#) available to [Parties](#) via the [REC Portal](#).
- 7.4. The [Theft Targets](#) for individual [Energy Suppliers](#) will be used in relation to the [TDIS](#). Each [Energy Supplier](#)'s [Theft Targets](#) will be notified to it in accordance with the

arrangements for those schemes.

- 7.5. The [Code Manager](#) shall ensure that the [Theft Target Methodology](#) is reviewed annually, following completion of the [TDIS Reporting Year Summary Report](#) and in consultation with interested persons.
- 7.6. In establishing and reviewing the [Theft Target Methodology](#), the objective shall be to set [Theft Targets](#) that result in a net benefit to [Consumers](#) as compared to taking no action, having regard to:
- (a) the prevailing estimate of the aggregate amount of [Energy Theft](#) taking place in Great Britain, as determined by the [Theft Estimation Methodology](#);
 - (b) the breakdown of estimated volumes of [Energy Theft](#) across the consumer segments identified in the [Theft Estimation Methodology](#);
 - (c) the relative performance of [Energy Suppliers](#) in reporting [Confirmed Energy Thefts](#) in previous [TDIS Reporting Years](#); and,
 - (d) the likely cost of identifying a [Confirmed Energy Theft](#) in each of the identified consumer segments.

8 [Theft Assessment Calculator](#)

- 8.1. The [REC Board](#) shall establish and maintain a [Theft Assessment Calculator](#) for [Parties](#) to use in order to determine the amount of [Energy](#) that may have been stolen at an individual premises at which [Energy Theft](#) is discovered.
- 8.2. The [REC Board](#) shall make the [Theft Assessment Calculator](#) available to [Parties](#) via the [REC Portal](#).
- 8.3. Each [Party](#) must ensure that the assessment of unrecorded units, in respect of suspected or [Confirmed Energy Theft](#), is carried out in a systematic, reasonable, consistent and transparent way in accordance with the [Unbilled Energy Code of Practice](#).
- 8.4. When assessment calculation tools are required to assess unrecorded units, [Parties](#) must utilise the [Theft Assessment Calculator](#), unless otherwise agreed with the [Code Manager](#).

Annex 1: [Energy Theft Tip-Off Service](#)

1 GOVERNANCE

1.1 The [REC Board](#) may establish a [Sub-Committee](#) to oversee the [Energy Theft Tip-Off Service \(ETTOS\)](#).

2 FUNDING

2.1 Subject to Paragraph 2.2, all [ETTOS Liabilities](#) incurred by [RECCo](#) (howsoever arising) shall constitute recoverable costs to be paid by [Energy Suppliers](#) pursuant to Clause 9 of the [main body](#) of this [Code](#).

2.2 Paragraph 2.1 shall not apply in respect of [ETTOS Liabilities](#) to the extent that [RECCo](#) has a claim against another person in respect of such [ETTOS Liabilities](#). Such other persons may include one or more of the [ETTOS Service Provider](#), the [ETTOS Recipients](#) and/or the [Code Manager](#). In the case of any such claim against any such person, [RECCo](#) shall take all reasonable steps and proceedings to pursue and recover any amounts to which it is entitled from such other persons, unless and until the [REC Board](#) determines (in consultation with [Energy Suppliers](#)) that there is no reasonable prospect of success.

2.3 Notwithstanding Paragraph 2.2 and the existence of any claim referred to in that Paragraph, pending the recovery of amounts pursuant to Paragraph 2.2, the [ETTOS Liability](#) in question shall constitute a recoverable cost to be paid by [Energy Suppliers](#) pursuant to Clause 9, subject to subsequent reconciliation once any amount is recovered pursuant to Paragraph 2.2.

2.4 [RECCo](#) shall take all reasonable steps to mitigate its [ETTOS Liabilities](#).

3 PERFORMANCE ASSURANCE

3.1 The [REC PAB](#) may require that a person that is reasonably independent of the [Parties](#) and the [ETTOS Service Provider](#), undertakes a performance assurance audit in respect of the [ETTOS](#), and reports to the [REC PAB](#) and the [Authority](#) on the outcome of such audit.

3.2 The [REC PAB](#) shall ensure that any such audit and report is undertaken in accordance with any relevant requirements stipulated in the [Energy Supply Licences](#).

4 DATA PROTECTION & USE OF DATA

4.1 The words and expressions in this Paragraph 4 that are not otherwise defined in this Agreement shall be interpreted in accordance with the [Data Protection Legislation](#).

4.2 The obligations of the [ETTOS Service Provider](#) in respect of the Processing of Personal

Data are dealt with in Paragraph 7.3(a).

4.3 In respect of the [ETTOS Service Data](#), each [ETTOS Recipient](#) undertakes to only Process that data:

- (a) in accordance with [Good Industry Practice](#);
- (b) in accordance with the [Data Protection Legislation](#), the Regulation of Investigatory Powers Act 2000, and the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000; and
- (c) for the purposes of receiving services pursuant to the [Energy Theft Tip-Off Service](#) and/or discharging its obligations pursuant to its [Energy Supply Licence](#), [Gas Transporter Licence](#) or [Electricity Distribution Licence](#) (as applicable).

4.4 Each [ETTOS Recipient](#) shall indemnify [RECCo](#) Ltd for any cost, claim or expense arising under the [ETTOS Contract](#) as a result of that [ETTOS Recipient](#) causing the [ETTOS Service Provider](#) to be in breach of any of the [Data Protection Legislation](#), the Regulation of Investigatory Powers Act 2000, and/or the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000.

4.5 Without prejudice to the licence referred to in Paragraph 7.3(b), it is agreed that the [ETTOS Service Provider](#) retains ownership of the [ETTOS Service Data](#).

5 CO-OPERATION

5.1 Each [ETTOS Recipient](#) shall provide the [ETTOS Service Provider](#) with reasonable cooperation in all matters relating to the [Energy Theft Tip-Off Service](#) (provided that no [ETTOS Recipient](#) shall be obliged to incur material cost in so doing).

5.2 Each [ETTOS Recipient](#) shall compensate [RECCo](#) for all reasonable costs, charges or losses sustained or incurred by [RECCo](#) to the [ETTOS Service Provider](#) (excluding any loss of profit or loss of reputation):

- (a) that arise from the [ETTOS Recipient](#)'s fraud; and/or
- (b) from any claim made against the [ETTOS Service Provider](#) (or its parent) by any third party arising from the [ETTOS Recipient](#)'s failure to act on information provided by the [ETTOS Service Provider](#) under the [Energy Theft Tip-Off Service](#).

6 CONFIDENTIALITY

6.1 Subject to Paragraphs 6.2 and 6.3, each [ETTOS Recipient](#) undertakes to treat the [ETTOS Service Data](#) as confidential and to safeguard it in accordance with [Good Industry](#)

[Practice](#).

6.2 The obligations of confidentiality in this Paragraph 6 shall not apply to the extent that:

- (a) disclosure is required in accordance with its [Energy Licence](#) or any law or by a court of competent jurisdiction or any regulatory body;
- (b) such information was separately created or obtained by the [Party](#) seeking to make a disclosure without an obligation of confidentiality; and/or
- (c) such information is already in the public domain at the time of disclosure otherwise than by a breach of this Agreement.

6.3 Each [ETTOS Recipient](#) may disclose the [ETTOS Service Data](#) to its agents and contractors insofar as is necessary for the purposes of receiving services pursuant to the [ETTOS Contract](#) and/or discharging its obligations pursuant to its [Energy Supply Licence](#), [Gas Transporter Licence](#) or [Electricity Distribution Licence](#) (as applicable). Each [ETTOS Recipient](#) shall contract with its agents and contractors on provisions equivalent to this Paragraph 6, and shall be responsible for any disclosure and use of such data by any such persons otherwise than in accordance with this Agreement.

6.4 Where the [ETTOS Service Provider](#) is the source of a tip-off, each [ETTOS Recipient](#) shall ensure that:

- (a) the name of the [ETTOS Service Provider](#) and its associated brands (including 'Crimestoppers' and 'Stay Energy Safe') are not disclosed as the source of the tip-off by the [ETTOS Recipient](#) (or its contractors or agents who are undertaking the investigation) to the customer (or anyone else at the site where enquiries are being made); and
- (b) the [ETTOS Recipient](#) has controls and training measures in place which are designed to ensure that its contractors and agents adhere to the requirement set out in Paragraph 6.4(a).

7 LIABILITIES AND CLAIMS

7.1 The limitations of liability set out in Clause 14 of the [main body](#) of this [Code](#) shall not apply in respect of any breach by a [Party](#) of this Annex 1, but the following shall instead apply in respect of such breaches:

- (a) nothing in this Paragraph 7.1 shall limit a [Party](#)'s liability for death or personal injury caused by its negligence, or for fraud or fraudulent misrepresentation;
- (b) the [Party](#) in breach shall be liable for the losses that were reasonably foreseeable as likely to arise as a result of the breach (to be assessed at the time

of the breach, and not at the time at which the [Party](#) became a [Party](#)); and

(c) the [Party](#) in breach shall not be liable for the losses that were not reasonably foreseeable as likely to arise as a result of the breach (to be assessed at the time of the breach).

7.2 For the purposes of Paragraph 7.1, it is acknowledged and agreed that a breach of this Schedule by an [ETTOS Recipient](#) may cause [RECCo](#) to incur an [ETTOS Liability](#) to the [ETTOS Service Provider](#).

7.3 [RECCo](#) shall contract with the [ETTOS Service Provider](#) on the basis that each [ETTOS Recipient](#) has a directly enforceable contractual right against the [ETTOS Service Provider](#) in respect of (as a minimum) the following (subject to and in accordance with the terms and conditions set out in the [ETTOS Contract](#)):

(a) an obligation on the [ETTOS Service Provider](#) to only Process [Personal Data](#) it obtains in provision of the [ETTOS Contract](#) in accordance with the [Data Protection Legislation](#) and the [ETTOS Contract](#);

(b) a non-exclusive licence for the term of the [ETTOS Contract](#) to use the [ETTOS Service Data](#) for the purpose of detecting, investigating and preventing energy theft;

(c) a non-exclusive licence for the term of the [ETTOS Contract](#) to use the [ETTOS Service Provider](#)'s name and logo only for the purposes of promoting the [Energy Theft Tip-Off Service](#) to customers of the [ETTOS Recipient](#); and

(d) an obligation on the [ETTOS Service Provider](#) equivalent to the obligation set out in Paragraph 6.

7.4 Each [ETTOS Recipient](#) hereby agrees with [RECCo](#) in respect of any claim that the [ETTOS Recipient](#) may have against the [ETTOS Service Provider](#) in respect of the [ETTOS Contract](#), to:

(a) notify [RECCo](#) of any such claim;

(b) irrevocably appoint and use [RECCo](#) as the [ETTOS Recipient](#)'s exclusive agent (to the exclusion of itself and all other persons) to pursue, negotiate and conduct any such claims (which role [RECCo](#) may choose to delegate);

(c) provide [RECCo](#) with all reasonable assistance requested by [RECCo](#) in respect of the conduct of such claims;

(d) take all reasonable steps to mitigate any [ETTOS Liabilities](#); and

(e) where the [ETTOS Recipient](#)'s claim relates to a claim by a third party against the

[ETTOS Recipient](#), not make any admission, settlement or payment in respect of such claim without first obtaining [RECCo](#)'s consent (such consent not to be unreasonably withheld or delayed).

8 [ETTOS](#) SERVICE DESCRIPTION AND RECIPIENT OBLIGATIONS

8.1 A full description of the [Energy Theft Tip-Off Service](#) is set out in the [ETTOS Contract](#). The [Energy Theft Tip-Off Service](#) can be summarised as follows:

- (a) the [ETTOS Service Provider](#) makes itself available to receive tip-offs;
- (b) the [ETTOS Service Provider](#) seeks to match the tip-off to an [Energy Supplier](#) and if the [ETTOS Service Provider](#) can match the tip-off to an [Energy Supplier](#), then the [ETTOS Service Provider](#) notifies the [Energy Supplier](#) of the tip-off;
- (c) if the [ETTOS Service Provider](#) cannot match the tip-off to an [Energy Supplier](#), then the [ETTOS Service Provider](#) notifies the relevant [Gas Transporter](#) or [Distribution Network Operator](#) of the tipoff;
- (d) if the [ETTOS Service Provider](#) cannot match the tip-off to an [Energy Supplier](#), a [Gas Transporter](#) or a [Distribution Network Operator](#), then the [ETTOS Service Provider](#) logs the tip-off as unmatched; and
- (e) in addition to the above, where the [ETTOS Service Provider](#) identifies that there is a serious safety concern, then the [ETTOS Service Provider](#) contacts the National Gas Emergency Service or the relevant [Distribution Network Operator](#), as applicable.

8.2 Each [ETTOS Recipient](#) shall:

- (a) provide a single point of contact (a group or multi-user email address) for the [ETTOS Service Provider](#) to manage the exchange of information between the [ETTOS Service Provider](#) and that [ETTOS Recipient](#) in respect of the [Energy Theft Tip-Off Service](#);
- (b) ensure that the group or multi-user email address is maintained and monitored, for the receipt of [ETTOS Service Data](#).
- (c) provide reasonable support to the [ETTOS Service Provider](#) in relation to publicising the [Energy Theft Tip-Off Service](#) (provided that no [ETTOS Recipient](#) shall be obliged to incur material cost in so doing).

8.3 Each [Gas Transporter](#) and [Distribution Network Operator](#) shall ensure that data is provided to the [ETTOS Service Provider](#) to enable it to match tip-offs containing a full address to the relevant [RMP](#), [Energy Supplier](#) and [Gas Transporter](#) and [Distribution Network](#)

[Operator](#). Such data shall be provided in such format and at such frequency as the [ETTOS Service Provider](#) reasonably requests.

8.4 Where an [Energy Supplier](#) receives a tip-off from the [ETTOS Service Provider](#) for a premises and fuel for which it is the [Registered Supplier](#), the [Energy Supplier](#) shall read the tip-off within 10 [Working Days](#) and ensure that it is investigated in accordance with the Unbilled Energy Code of Practice.

8.5 Where an [Energy Supplier](#) receives a tip-off from the [ETTOS Service Provider](#) for a premises and fuel for which it is not the [Registered Supplier](#), then it shall notify the [ETTOS Service Provider](#) (including details of the [Registered Supplier](#), if known) within 10 [Working Days](#).

8.6 Where a [Gas Transporter](#) or [Distribution Network Operator](#) receives a tip-off from the [ETTOS Service Provider](#) for a premises for which it is the relevant [Gas Transporters](#) or [Distribution Network Operator](#) (as applicable), it shall, within 10 [Working Days](#):

- (a) identify the full address and notify this to the [ETTOS Service Provider](#);
- (b) identify the [Registered Supplier](#) and notify this to the [ETTOS Service Provider](#) or identify that there is no [Registered Supplier](#) and/or [RMP](#) (and notify this to the [ETTOS Service Provider](#));
- (c) (where applicable) comply with its obligations under the [Unbilled Energy Code of Practice](#) ; and
- (d) if none of the above apply, then reply to the [ETTOS Service Provider](#) that no action can be taken, with the reason the tip-off could not be matched, so that the tip-off can be logged as unmatched.

8.7 Where a [Gas Transporter](#) or [Distribution Network Operator](#) receives a tip-off from the [ETTOS Service Provider](#) for a premises for which it is not the relevant [Gas Transporter](#) or [Distribution Network Operator](#) (as applicable), then it shall, within 10 [Working Days](#), notify the [ETTOS Service Provider](#) (including details of the correct [Gas Transporter](#) or [Distribution Network Operator](#), if known).

8.8 The results of any tip-off investigations initiated by [Energy Suppliers](#) should be fed into the [Code Manager](#) in accordance with Annex 2 to this [REC Schedule](#).

8.9 Where a [Party](#) fails to comply with its obligations under this Paragraph 8, then an escalation process to be developed and implemented by the [REC PAB](#) shall apply.

8.10 The [REC PAB](#) shall have the right to conduct an audit of any investigation undertaken by a [Party](#) following a tip-off under the [Energy Theft Tip-Off Service](#).

9 ADDITIONAL SERVICES

9.1 An [Energy Supplier](#) may, from time to time, request the provision of additional services or functionality pursuant to the [ETTOS Contract](#); provided that the [Energy Supplier](#) pays the additional charges applicable to the additional services or functionality where applicable.

9.2 The additional services or functionality that can be requested, and the charges applicable to such additional services or functionality, will be set out in the [REC Charging Methodology](#) and/or [REC Charging Statement](#).

9.3 An [Energy Supplier](#) that wishes to obtain any of the additional services or functionality provided for in this Paragraph 9 shall submit its request to the [Code Manager](#). As soon as reasonably practicable following receipt of each such request, [RECCo](#) shall procure that the [ETTOS Service Provider](#) provides the [Energy Supplier](#) with such additional services or functionality; subject to and in accordance with the provisions of the [ETTOS Contract](#), and subject to payment by the [Energy Supplier](#) of the applicable charges.

9.4 [RECCo](#) shall invoice each [Energy Supplier](#) for the charges (if any) incurred by that [Energy Supplier](#) pursuant to this Paragraph 9 on or around the same date as it submits invoices under Clause 9 of the [main body](#) of this [Code](#).

Annex 2: [Theft Risk Assessment Service](#)

1 INTRODUCTION

1.1 The [Theft Risk Assessment Service \(TRAS\)](#) is the service via which [Energy Suppliers](#) are intended to maintain the arrangements required by Condition 12A of the [Energy Supply Licence](#)s in order to give effect to the objectives set out in that Condition (except to the extent covered by the [ETTOS](#)).

1.2 The content of this Annex 2 largely replicates the directions issued by the [Authority](#) on modification of the [Energy Supply Licence](#)s to introduce Condition 12A, which set out the framework for the original [TRAS](#) procurement. Those directions have now expired. The content of this Annex is intended to clarify the minimal requirements of the [TRAS](#), and inform any future procurement exercise.

2 GOVERNANCE

2.1 The [REC Board](#) may establish a [Sub-Committee](#) to oversee the [TRAS](#).

3 THE [TRAS](#)

3.1 The [REC Board](#) shall ensure that the [TRAS](#) is designed, procured and delivered in the manner that is most likely to facilitate:

- (a) the development, operation and maintenance of an efficient, economical and coordinated service;
- (b) effective competition between [Energy Suppliers](#);
- (c) protection of information and security of information and systems; and,
- (d) efficient and transparent administration and implementation of the service.

3.2 The [REC Board](#) must ensure that the [TRAS Service Provider](#) takes all reasonable steps to:

- (a) secure the achievement of the objective under Condition 12A of the [Energy Supply Licences](#); and
- (b) avoid doing anything which jeopardises the ability of [Energy Suppliers](#) to achieve that objective.

3.3 The [REC Board](#) shall ensure that the [TRAS Service Provider](#) (as a minimum):

- (a) identifies, collects, scrutinises and evaluates relevant information to profile the risk of [Energy Theft](#) at the premises of a [Consumer](#);
- (b) provides to the [Registered Supplier](#) all relevant information in respect of a premises that the relevant Supplier may reasonably require to: (i) determine which premises to investigate for suspected [Energy Theft](#); and (ii) facilitate that investigation of [Energy Theft](#);
- (c) on notification from a [Party](#) that a person has (or is suspected to have) committed [Energy Theft](#), provides to the notifying [Party](#) all relevant information held by the [TRAS Service Provider](#) to facilitate compliance with that [Party's Energy Licence](#) obligations; and
- (d) provides such relevant information as a [Party](#) may reasonably request to support civil or criminal proceedings in respect of [Energy Theft](#).

3.4 The [REC Board](#) must ensure that the [TRAS Service Provider](#) provides the information described in Paragraph 3.3 in a manner that is most likely to facilitate achievement of the objective referred to in Condition 12A of the [Energy Supply Licences](#).

4 APPOINTMENT OF THE [TRAS](#)

4.1 The [REC Board](#) shall ensure that new [TRAS](#) arrangements are provided as soon as reasonably practicable, with the preferred solution(s) having been consulted upon as part of

the [RECCo Theft Reduction Strategy](#) and informed by a robust business case and project plan.

4.2 The [REC Board](#) shall ensure that the [TRAS Service Provider](#):

(a) is a suitable organisation, appointed on a competitive basis that is consistent with best industry practice relating to the procurement of a service such as the [TRAS](#);

(b) is appointed under a contract that: (i) secures value for money in terms of the combination of quality and cost over the lifetime of the contract; (ii) requires delivery of the required goods, services or works to appropriate standards according to the needs of the [Parties](#); and (iii) incorporates (at a cost that is not disproportionate to any associated benefit) sufficient flexibility to adapt to the requirements of [Parties](#) over the duration of the contract; and

(c) does not at any time hold or acquire investments by way of shares, securities, or associated rights of any kind in one or more [Parties](#) (or any [Affiliates](#) or [Related Undertaking](#) of any [Party](#)).

4.3 The [REC Board](#) shall ensure that the contract with the [TRAS Service Provider](#) enables [Energy Suppliers](#) to implement such practices and procedures in respect of contract management and contract performance as are necessary to ensure that they can at all times fulfil the requirements of their [Energy Supply Licences](#).

4.4 Without limiting the general effect of Paragraph 4.3, the contract with the [TRAS Service Provider](#) must provide:

(a) for [Energy Suppliers](#) to obtain the information referred to in Paragraph 3.3, and to be able to disclose such information to any third party where the [Energy Supplier](#) considers that doing so is necessary to promote the objective referred to in Condition 12A of the [Energy Supply Licences](#);

(b) for the termination of the contract with the [TRAS Service Provider](#) no longer meets the requirements of Paragraph 4.2(c); and

(c) for the establishment of agreed quality of service information.

5 No abuse of the [TRAS](#)' position

5.1 [RECCo](#) shall take all reasonable steps to ensure that the [TRAS Service Provider](#) at all times manages and operates its services in a way that is calculated to ensure that it does not restrict, prevent, or distort competition in any of the markets for the provision of services described in this Annex.

5.2 [RECCo](#) shall take all reasonable steps to ensure that the [TRAS Service Provider](#) at all times carries on its activities in a manner that does not give any cross-subsidy to, or receive any cross-subsidy from, any [Affiliate](#) or [Related Undertaking](#) of the [TRAS Service Provider](#).

5.3 [RECCo](#) shall take all reasonable steps to ensure that the [TRAS Service Provider](#) does not unduly prefer one [Energy Supplier](#) (or class of [Energy Supplier](#)) over any other [Energy Supplier](#) (or class of [Energy Supplier](#)).

6 REPORTING

6.1 [RECCo](#) shall ensure that:

(a) the rules of operation of the [TRAS](#) are clearly documented and available to [Parties](#); and,

(b) the [TRAS Service Provider](#) arranges for such management information reports, performance assurance reports or other information as may reasonably be required by the [REC Board](#), the [REC PAB](#) or any other [Sub-Committee](#) are prepared and made available in the timescales and to the quality specified.

Annex 3: [Theft Detection Incentive Scheme](#)

1 INTRODUCTION

1.1 [Theft Detection Incentive Scheme \(TDIS\)](#) applies to all [Energy Suppliers](#) and all [Metering Points](#) (electricity) and [Supply Meter Points](#) (Gas).

1.2 The [TDIS](#) is concerned with the detection of [Confirmed Energy Thefts](#). [Energy Suppliers](#) shall ensure that in cases of a [Confirmed Energy Theft](#), appropriate remedial steps shall be undertaken to stop the theft of [Energy](#) from continuing.

2 Not Used

3 THEFT TARGETS

3.1 The [TDIS](#) will operate across both electricity and gas, with targeted incentive pots being established for each of the consumer segments identified in the [Theft Target Methodology](#), being as a minimum separated between gas and electricity and [Domestic Consumers](#) and [Non-Domestic Consumers](#).

3.2 The [Code Manager](#) shall determine and publish, by no later than 1 March each year, the [Theft Targets](#), setting the targeted number of [Confirmed Energy Theft](#) detections for the following [TDIS Reporting Year](#).

3.3 The overall [Theft Target](#) will be disaggregated to provide a separate [Theft Target](#) for each consumer segment of the [TDIS](#), as referred to in Paragraph 3.1.

3.4 The [Code Manager](#) shall establish and confirm to each individual [Energy Supplier](#), and the [Authority](#) upon request, the [Energy Supplier](#)'s calculated [Theft Target](#) for each of the consumer segments identified in the [Theft Target Methodology](#) which are applicable to the [Energy Supplier](#).

3.5 Each [Energy Supplier](#)'s individual [Theft Target](#) will be based on its market share figures, using the portfolio data made available to [RECCo](#) for the purposes of producing its invoices under this [Code](#) for the final [Quarter](#) prior to the start of the [TDIS Reporting Year](#), and such other data as may reasonably be available to the [Code Manager](#) to facilitate [Consumer](#) segmentation in accordance with the [Theft Target Methodology](#).

3.6 Where the market share figures for an [Energy Supplier](#) with a non-domestic only supply licence include a non-zero market share of [Domestic Consumers](#), the [Code Manager](#) will adjust the calculation to re-allocate this share to the [Non-Domestic Consumer Theft Target](#).

3.7 [Theft Targets](#), including each [Energy Supplier](#)'s individual [Theft Target](#), will be rounded down to the nearest whole number, which for the avoidance of doubt may be zero.

3.8 If, following the date of the market share figures on which the [Theft Targets](#) were calculated but before the end of the [TDIS Reporting Year](#), an [Energy Supplier](#) purchases all (or substantially all) of an Energy Supplier's supply contracts, then the [Code Manager](#) shall:

(a) reduce to zero the selling [Energy Supplier](#)'s [Theft Target](#)(s) for that [TDIS Reporting Year](#);

(b) increase the purchasing [Energy Supplier](#)'s [Theft Target](#)(s) by the amount of the selling [Energy Supplier](#)'s [Theft Target](#)(s) as they existed prior to such reduction (or, if the purchasing [Energy Supplier](#) was not previously a [TDIS Qualifying Supplier](#), recognise that [Energy Supplier](#) as a [TDIS Qualifying Supplier](#) and allocate the selling [Energy Supplier](#)'s [Theft Target](#)(s) to the purchasing [Energy Supplier](#)); and

(c) re-allocate any and all [Confirmed Energy Thefts](#) in that [TDIS Reporting Year](#) previously identified as having been detected by the selling [Energy Supplier](#) to the purchasing [Energy Supplier](#).

3.9 Paragraph 3.8 will not apply in the circumstances of a failed [Energy Supplier](#)'s customers being transferred to another [Energy Supplier](#) as a result of the [Supplier of Last Resort Process](#).

4 THEFT DETECTION VALUE

4.1 Each theft detection will qualify for an incentive payment, the value of which shall be

referred to as the [Theft Detection Value](#). This value is based on the likely net cost to an [Energy Supplier](#) of having undertaken activity to detect the theft, as compared with having taken no action.

4.2 The [Code Manager](#), shall, at the same time as it determines and publishes the [Theft Targets](#) for a [TDIS Reporting Year](#), establish and publish a [Theft Detection Value](#) for each consumer segment to be used in that [TDIS Reporting Year](#).

5 INCENTIVE SCHEME POTS

5.1 The [TDIS](#) will provide an individual ‘pot’ for each of the relevant consumer segments.

5.2 The size of the individual incentive pots will be calculated individually in advance of the [TDIS Reporting Year](#), based on the following methodology:

$$(X * Y)$$

Where:

X = The [Theft Target](#) for the [TDIS Reporting Year](#) which applies to the relevant consumer segment of the scheme.

Y = The [Theft Detection Value](#) which applies to the relevant consumer segment of the scheme.

5.3 Based on the formula set out above, ahead of each [TDIS Reporting Year](#) the [Code Manager](#) shall publish the value of each individual incentive pot for that year.

6 REPORTING CONFIRMED THEFTS

6.1 Only submissions which meet the [Confirmed Energy Theft](#) definition count towards [Theft Targets](#). Each [Energy Supplier](#) must ensure that its submissions are compliant with the data specification set out in the [Performance Assurance](#) Reporting Catalogue.

6.2 Each [Energy Supplier](#) shall record all [Energy Theft](#) investigations at the point the theft investigation commences and shall submit such records to the [Code Manager](#) via the [REC Portal](#). Once the investigation is concluded, details of the [Energy Theft](#) investigation must be re-submitted together with the outcome. Submissions must be compliant with the data specification set out in the [Performance Assurance](#) Reporting Catalogue.

6.3 Any [Confirmed Energy Theft](#) not reported within the relevant timeframe as may be prescribed by the [Code Manager](#) will be excluded from the [TDIS](#) unless otherwise agreed with the [REC Performance Assurance Board](#). Only [Confirmed Energy Thefts](#) identified within the specified start and end dates of the [TDIS Reporting Year](#) will be eligible for that [TDIS](#)

[Reporting Year](#).

6.4 The [Code Manager](#) shall ensure that there is a process in place to share data relating to [Confirmed Energy Thefts](#) with the [CDSP](#) and [DNOs](#) for the purpose of the volume of energy associated with each such case being recognised within settlement, consistent with the intent of paragraph 15 of the [Unbilled Energy Code of Practice](#) .

7 TDIS REPORTING TIMEFRAME AND END OF YEAR REPORTING

7.1 The [Code Manager](#) shall produce and provide to [Energy Suppliers](#), by 1 March each year for the following [TDIS Reporting Year](#), a timetable (known as the a [TDIS Reporting Timeframe](#)) which will include the deadlines for:

- (a) submission of [Confirmed Energy Theft](#) reports;
- (b) raising queries on the [Indicative TDIS Summary Report](#); and
- (c) final submission of [Confirmed Energy Theft](#) reports, including resolution of any data validation errors for reports previously submitted, for inclusion with the [TDIS Reporting Year](#).

7.2 Any changes to the [TDIS Reporting Timeframe](#) during the [TDIS Reporting Year](#) will be subject to at least one month's notice of the change being given to [Energy Suppliers](#).

7.3 The [Code Manager](#) shall produce and provide to each [Energy Supplier](#) and the [REC PAB](#), an overall [Indicative TDIS Summary Report](#). The [Code Manager](#) shall provide each [Energy Supplier](#) with a copy of the [Indicative TDIS Summary Report](#) with the [Confirmed Energy Thefts](#) for all other [Energy Suppliers](#) anonymised. The [Code Manager](#) shall provide the [REC PAB](#) with a non-anonymised copy of the [Indicative TDIS Summary Report](#).

7.4 The content of the [Indicative TDIS Summary Report](#) will detail the aggregate number of [Confirmed Energy Thefts](#) recorded for the relevant scheme month for each [Energy Supplier](#) against each of their relevant [Theft Targets](#). The specific format of the [Indicative TDIS Summary Report](#) may be revised from time to time subject to the approval of the [REC Performance Assurance Board](#).

7.5 Each [Energy Supplier](#) is responsible for reviewing the [Indicative TDIS Summary Report](#) and raising any queries with the [Code Manager](#) on a timely basis, and in all cases prior to the date required by the [TDIS Reporting Timeframe](#).

7.6 The [Code Manager](#) shall issue to the [TDIS Qualifying Suppliers](#) and the [REC Performance Assurance Board](#) an updated version of the [Indicative TDIS Summary Report](#) (the [TDIS Reporting Year Summary Report](#)), in accordance with the [REC Performance Assurance Board](#) calendar. The [Code Manager](#) shall provide each [Energy Supplier](#) with a copy in which the [Confirmed Energy Thefts](#) for all other [Energy Suppliers](#) are anonymised.

The [Code Manager](#) shall provide the [REC PAB](#) with a copy that has not been anonymised.

8 DEBITS AND CREDITS

8.1 The [Code Manager](#) shall calculate of the financial debits and credits resulting from the [TDIS](#), in accordance with the rules of the scheme, utilising the information provided within the [TDIS Reporting Year Summary Report](#).

8.2 All debits and credits associated with the [TDIS Reporting Year](#) will be calculated by the [Code Manager](#) based on the total number of [Confirmed Energy Thefts](#) shown within the final [TDIS Reporting Year Summary Report](#), covering the full [TDIS Reporting Year](#) and utilising [Energy Supplier](#) market share figures based on the figures utilised at the commencement of that [TDIS Reporting Year](#).

8.3 Debits and credits resulting from the [TDIS](#) will be calculated for each consumer segment within the scheme using the following formula:

$$(X*(STD / TTD)) - (X*FMPS)$$

except where FMPS equals zero when expressed to five decimal places, in which case no credit or debit will be applied, or in the case of a [TDIS Qualifying Supplier](#) whose [Theft Target](#) for such segment was zero, in which case no debit may be applied but a credit may be.

Where:

X is the total incentive pot value of the relevant consumer segment of the [TDIS](#), amended in line with the percentage change in the 'Consumer Price Index' between the index published for the start and the end of the [TDIS Regulatory Year](#).

STD is the number of [Confirmed Energy Thefts](#) recorded by the [Energy Supplier](#) in the relevant consumer segment.

TTD is the total number of [Confirmed Energy Thefts](#) recorded in the [TDIS Reporting Year](#) for the relevant consumer segment.

FMPS is the final [Metering/Supply Meter Point](#) market share of the [TDIS Qualifying Supplier](#) in the [TDIS Reporting Year](#) for the relevant consumer segment (being the [TDIS Qualifying Supplier](#)'s market share as a percentage of the [Metering/Supply Meter Points](#) of all the [TDIS Qualifying Suppliers](#) based on the figures used at the start of the [TDIS Reporting Year](#)).

8.4 Once calculated, notification of the relevant debit and credit values will be communicated

to each individual [TDIS Qualifying Supplier](#) by the [Code Manager](#), within 144 calendar days after the end of the [TDIS Reporting Year](#).

8.5 The [TDIS](#) credits and debits will be undertaken by [RECCo](#) via existing [Energy Supplier](#) invoicing arrangements. All debit invoices issued under the [TDIS](#) will be subject to the normal payment terms as set out in the [main body](#) of this [Code](#).

8.6 Non-payment of the [TDIS](#) debit invoices will be treated in the same manner as the non-payment of other [RECCo](#) invoices under this [Code](#), with the same sanctions being applicable.

8.7 The issuing of credits from the [TDIS](#) shall be done in such a way as to not discriminate between [TDIS Qualifying Suppliers](#). This shall be achieved by paying out the proportion of the [TDIS](#) credits to all eligible [TDIS Qualifying Suppliers](#) commensurate to the proportion of the [TDIS](#) debits received at that time.

9 GENERAL

9.1 All notices to [Energy Suppliers](#) under or in relation to the [TDIS](#) are to be sent to its [Contract Manager](#) and to its single point of contact nominated for the purpose of performance assurance.

9.2 [TDIS Qualifying Suppliers](#) may be required to self-certify (in a format determined by the [REC PAB](#)) that all [Confirmed Energy Thefts](#) are in accordance with the definition of [Confirmed Energy Theft](#) under this [Code](#).

9.3 The [REC PAB](#) reserves the right to conduct an audit of each [TDIS Qualifying Supplier](#)'s evidence for [Confirmed Energy Thefts](#).