



Outline Business Case:

Proposal to create a new energy theft enforcement service in partnership with the City of London Police



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Contents

Executive Summary.....	3
Introduction	5
Strategic Case	7
Economic Case.....	16
Financial Case.....	21
Commercial Case.....	23
Management Case.....	24
Next Steps	28
Appendix 1 – Energy Theft Unit requirements and options.....	31
Appendix 2 – Referral Assessment Service operating model	35
Appendix 3 – Referral Assessment Service: requirements and options.....	39
Appendix 4 – Prosecutions & convictions: Abstracting of Electricity	40

Executive Summary

The theft of electricity and gas is a significant challenge for the energy industry, increasing costs to consumers and threatening public safety. Research we commissioned in 2022 suggested that losses to theft in Great Britain were between 636 - 1,059 GWh of gas and 1,703 - 2,837 GWh of electricity. At December 2022 prices, that equated to between £0.9 billion and £1.4 billion. Adjusted to current prices, that same volume of energy theft would be worth **£457 - £760 million**, or around £27 additional cost to each bill-paying consumer.

Those who undertake and/or live in a household with a meter tamper or bypass are often unaware of the dangers. We contribute to the efforts of the industry to raise awareness of the risk through the ongoing Stay Energy Safe campaign and our work with Crimestoppers. Through this work, we know that people can often be the victim of rogue landlords, misinformation or scams, leaving the householder and their family's safety at risk,¹ There is currently no consistent reporting on the number of injuries and deaths caused by meter tampering or other forms of theft, though there have been several high-profile and tragic incidents including the deaths of children due to electrocution, fire or explosions caused by meter tampering which highlight the severity of this issue and urgency of tackling it.

While industry parties undertake activities to prevent, detect and investigate theft in line with their licence obligations, consistent feedback suggests they can find it hard to engage with and secure the support of the police to pursue investigations. This lack of police engagement and low level of prosecutions contribute to a low level of deterrent. However, it is also recognised that police resources are limited and that any requests for support or referrals of suspected energy theft from the industry must compete against numerous policing priorities.

As theft and fraud are a problem for all industries, including the financial sector, we have looked for potential lessons and solutions employed elsewhere. In particular, we have looked to the example of the insurance industry, which since 2012 has directly funded a dedicated police unit, the Insurance Fraud Enforcement Department (IFED)

To give effect to the arrangement and provide appropriate transparency and accountability to parties, we propose to define a new service under the REC within a new REC schedule. This proposal includes an intermediary role for RECCo (or a service provider) which we are defining as the Referral Assessment Service (RAS). As well as acting as liaison with REC stakeholders and the ETU, the RAS would assess and triage the referrals, undertaking a degree of quality assurance and, where possible, seeking to identify any additional information which may increase the likelihood of a successful prosecution. This may include the addition of relevant information that the referring party may not have been aware of, such as other properties or periods for which they are not the registered energy supplier. This ability to combine data should also allow for additional insights that will allow efforts to be better targeted, for instance, towards organised criminals and those exploiting consumers by charging for illegal meter bypasses, who may not currently be within any individual industry parties' ability to effectively pursue.

We consider that the police partnership would be complementary to theft-related services already provided under the REC such as the Theft Detection Incentive Scheme and the Energy Theft Tip-Off Service operated by Crimestoppers. However, we also recognise that the proposed relationship will be very different to a normal commercial relationship and any decision will have regard to wider policy considerations. We have, therefore, developed the business case using the full 5 case model, building upon feedback from the **[Strategic Outline Case](#)**, which we consulted upon this summer, as committed to in our Forward Work Plan 2024-25.

¹ For example, see "[Revealed: Energy theft reports soar amid rising gas and electricity bills](#)", Independent, 16th October 2022.

Strategic Case

- REC Parties have existing licence obligations to prevent, detect and investigate theft, but currently struggle to do so acting alone;
- RECCo has an obligation under The REC to have a Theft Reduction Strategy;
- The REC mission is to facilitate the efficient and effective running of the retail energy market, including its systems and processes - which would reasonably include theft prevention;
- The proposed partnership is a good strategic fit with other theft related REC Services.

Economic Case

- Based on estimated theft of £457m - £760m, the proposed police partnership would have to reduce theft by just 0.26 - 0.44% to produce a positive benefit-cost ratio;
- A 1% reduction in energy theft as a direct result of this partnership would produce an annual net benefit of £12.27m over the life of the initial 3 year agreement, a benefit-cost ratio of 3.05;
- Further benefits can be expected due to the impact the partnership would have in deterring future energy theft.

Financial Case

- Costs of the service would be recovered pro-rata to a supplier's share of registered meter points as with other REC charges;
- The cost would be less than 4 pence per registered meter point.

Commercial Case

- We have identified that the City of London are uniquely placed to offer the support we require on a nationwide basis;
- RECCo has already developed a good working relationship with City of London police, which has helped us to develop this business case;
- We have initiated work on a sponsored services agreement, following the model of other funded units.

Management Case

- Subject to there being support for this outline business case, we will include the implementation of the partnership within our Forward Work Plan and budget for 2025-26, with an assumed effective date of 1 October 2025;
- Implementation of the service will be subject to transparent project management;
- Governance of the RAS will be in accordance with standard REC procedures, including change management;
- Although the ETU will retain operational independence, its objectives will be set with input from REC stakeholders through an appropriate forum.

Next steps

We are seeking views on the questions set out in the **Next Steps** section of this document, which can be responded to by:

- Email to: Theft@retailenergycode.co.uk
- Online survey available [here](#).

We welcome views by close of play **6th December 2024**.

Subject to consultation responses, we will move to the mobilisation phase of this project with details to be provided in our Forward Work Plan 2025-26, to be published in January 2025. We will also proceed to raise REC Change Proposals to give effect to the service.

Introduction

The Retail Energy Code Company (RECCo) owns and manages the REC. Through the REC, the services we manage, and the programmes we run, RECCo is dedicated to building a more effective and efficient energy market for the future, including its systems and processes, by promoting innovation and competition to deliver positive consumer outcomes. The REC contains the key rules for Energy Suppliers in Great Britain. As part of managing the REC, RECCo's role is to facilitate retail energy market participants' ability to comply with their obligations under the REC and/or licence, and to provide specific services where required, including the energy theft reduction services. When RECCo was established, it inherited responsibilities for tackling energy theft that had previously been managed under the Supply Point Administration Agreement (SPAA) and the Distribution Connection and Use of System Agreement (DCUSA). This included the Theft Detection Incentive Scheme (TDIS) and management of the Energy Theft Tip-Off Service (ETTOS), which were transitioned to the REC. Additionally, RECCo was tasked with developing a long-term Theft Reduction Strategy and completing a Theft Estimation Methodology (TEM).

The TEM was the first attempt to quantify energy theft across Great Britain since Ofgem introduced new theft arrangements around a decade earlier. Completed amid soaring post-COVID energy demand and the Ukraine crisis, our report estimated theft at 636–1,059 GWh of gas and 1,703–2,837 GWh of electricity, costing between £0.9 billion and £1.4 billion, or around £50 per bill-paying consumer at December 2022 prices. Since that time, international wholesale prices have stabilised, and that has been reflected in reductions to the default tariff rate set by Ofgem each quarter. Therefore, while we have not revised the volume of gas and electricity estimated to be stolen each year, the value of that energy has approximately halved. Our revised estimate for combined gas and electricity theft in accordance with the Theft Estimate Methodology is **£457m to £760m**.²

Our theft estimate was first presented to a stakeholder workshop in November 2022³, which brought together a large number of industry representatives, consumer representatives, policy-makers, and other stakeholders to discuss, better understand, mitigate, and prevent energy theft in GB. We also introduced our draft Energy Theft Reduction Strategy, aimed at empowering REC Parties to address theft more effectively, and sought input on impactful actions. Feedback from stakeholder events, including the 2023 Energy Theft Forums and the Energy Theft Reduction Expert Group, highlighted REC Parties' desire for a mechanism to enhance police engagement and enable enforcement and prosecution, where appropriate.

Summary of existing arrangements and policy analysis:

Lack of reporting structure	Stakeholder Engagement and Commitment	Policy and Legal Framework	Implications and Urgency
<ul style="list-style-type: none"> No obligations or authority for REC Parties to investigate energy theft across multiple suppliers. Absence of mechanism for combining intelligence on energy theft Challenges in engaging law enforcement due to lack of awareness and sufficient resource. Lack of consistency in reporting of health and safety incidents that may be attributable to meter tampering or other interference. 	<ul style="list-style-type: none"> Desire from REC parties to establish better engagement with the police. Stakeholder engagement through Accelerated Solutions events, Energy Theft Forums, and ETREG. Commitment to creating a pathway for enforcement and prosecution. 	<ul style="list-style-type: none"> Legal framework, includes but not limited to, Electricity Act 1989, Gas Act 1986, Theft Act 1968 and Fraud Act 2006 Gaps in prosecution strategy necessitating policy changes. Effective prosecutions and enforcement procedures are essential to maximise the use of existing sentencing and penalty options Need for improved coordination between regulatory authorities and law enforcement agencies. 	<ul style="list-style-type: none"> Implications of energy theft on public safety, exploitation of vulnerable consumers and energy pricing. Urgency in addressing existing gaps and strengthening enforcement measures. Importance of promoting public awareness and stakeholder engagement in combating energy theft.

² Gas: 636 – 1,059 GWh @ 6.24 pence per kWh, electricity: 1,703 – 2,837 GWh @ 24.5 pence per kWh.

³ Theft Accelerated Solution Environment November 2022, see: <https://sway.cloud.microsoft/NYBUjw6gR5c8g2DF?ref=Link>

In response to feedback, RECCo's [Strategy & Forward Work Plan 2023-26](#) committed to improving collaboration with non-industry agencies, including the police, as part of the evolving Energy Theft Reduction Strategy. This document outlines our proposal to enhance police engagement in energy theft matters, thereby strengthening enforcement, deterrence, and public awareness of the risks and consequences of being caught.

Taking lessons from how the banking and insurance industries tackle fraud, we propose to establish and fund an Energy Theft Enforcement service. The service will consist of two elements: 1) a dedicated Energy Theft Unit (ETU) provisioned by the City of London Police to investigate and prosecute identified organised Energy Theft and associated crime and 2) a Referral Assessment Unit (RAS) provided by RECCo (or a service provider) to co-ordinate, triage and quality-assure theft referrals between REC stakeholders and the ETU.

RECCo reviewed potential service providers for the ETU and, following assessment and engagement, have determined that the City of London Police would be the best fit leveraging on their existing capabilities and experience. The City of London police is the national lead police force for fraud, working independently or with local police support to identify, disrupt and prosecute fraud and economic crime across the country. Establishing a dedicated unit will strengthen the energy industry's ability to prevent, detect and prosecute theft.

The dedicated investigation unit, the Energy Theft Unit (ETU), would utilise key principles and learnings from other funded investigation units, such as the Insurance Fraud Enforcement Department (IFED).

How this partnership is marketed and publicised will require careful consideration and consumer research to fully understand consumer perception. Any marketing, whilst aiming to increase awareness and provide a visible deterrent, must make clear that this enforcement service is to target serious and organised or repeat offenders to ensure the protection and safety of all consumers, including those with vulnerabilities. This is to mitigate any risk that this service may be incorrectly perceived as a mechanism to protect the profits of Energy Suppliers.

Building on the model of the Insurance Fraud Bureau, RECCo will establish a Referral Assessment Service (RAS) to coordinate, triage, and quality-assure theft referrals from industry parties, adding data and insights before passing cases to the ETU. The REC will obligate industry parties to provide relevant theft data when making referrals. An effective RAS will require strategic collaboration, clear objectives, performance measurement, technology solutions, and scalable capacity, aiming to protect the energy supply system and ensure public safety.

A RAS will assess information and evidentiary requirements, the referral assessment and acceptance/rejection process, the organisational structure, performance management, stakeholder engagement, compliance and risk management, and the requirement for continuous improvement.

The ETU and the RAS will work alongside our existing services, raising awareness of the issue of energy theft, for instance, through enhanced cooperation with industry and non-industry agencies and contributing insights and messaging to the Stay Energy Safe campaign. These together aim to change the public perception of energy theft being a victimless crime with a low risk of being caught. We consider that an effective deterrent will be crucial in preventing future energy theft and associated risk of harm.

Strategic Case

The Strategic Case highlights the need for change, focusing on inconsistent industry reporting and limited police engagement, leading to few successful prosecutions and insufficient deterrence against energy theft, especially by organised crime groups exploiting vulnerable consumers. In addition to procuring an ETU, it proposes establishing a RAS within RECCo, to triage referrals, and identify any supporting information and evidence that may support the case before passing it onto the ETU. The RAS will aim to ensure appropriate targeting of resources and continuous feedback for REC Parties to improve referrals.

Strategic Context

RECCo’s mission is to facilitate the efficient and effective running of the retail energy market, including its systems and processes, by promoting innovation, and competition and delivering positive customer outcomes. Our key goals are:

- **Consumers:** Delivering benefits for end-users.
- **Climate:** Supporting decarbonisation and the UK's Net-Zero goals.
- **Competition:** Driving efficiencies and innovations for market competition.
- **Cost:** Providing value through cost-effective services.
- **Catalyse Improvement:** Promoting change and innovation for industry decarbonisation and consumer benefit.

The REC places an obligation on RECCo to maintain and keep under review a **Theft Reduction Strategy** 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 licence. That objective requires the licensee, individually and/or in cooperation with other licensees where necessary, to detect, investigate and prevent energy theft, including by means of deterrence. Gas Transporters and Electricity Distributions Network Operators also have licence obligations relating to the theft of gas or electricity from their networks.

Theft Reduction Strategy

RECCo employs an Energy Theft Reduction Strategy which aims to empower REC Parties to prevent, detect and respond effectively to energy theft.



- **Prevent** Activities to deter theft, through raising awareness of the risk of organised fraud, including scam services to avoid energy bills
- **Respond** Enhancing the ability of industry parties to deal with individual cases of theft once detected and to gain insights for better prevention and detection
- **Detect** Better use of data and analytics will enable us to assess the scale of theft and other sources of soluble non-technical losses of energy to the system, as well as providing insights on where those losses are occurring and the effectiveness of mitigating measures

The Energy Theft Reduction Strategy aims to reduce consumer harm from energy theft by promoting industry collaboration and developing tools and services that REC Parties need to effectively tackle the problem. For instance, we seek to raise consumer awareness about the dangers of energy theft through the Stay Energy Safe campaign. Existing REC services include the Energy Theft Tip-Off Service (ETTOS) operated by the charity Crimestoppers.

We also operate the Theft Detection Incentive Scheme (TDIS) which seeks to offset the cost to individual Energy Suppliers of carrying out theft investigations. However, levels of investigation and enforcement are inconsistent, prompting Ofgem to write to suppliers in November 2023 expressing concern at the overall level of performance in identifying and confirming cases of theft.⁴ Although performance under the scheme has since improved, with 21,500 confirmed thefts for the reporting year 2023/24, that still represents only 52% of the overall target of 41,000. The performance of individual suppliers also differs greatly.

Challenges that contribute to this inconsistency and overall low level of investigation and detection include limited resources, competing priorities, and difficulties in engaging law enforcement agencies. These challenges of inconsistent national enforcement and reporting were highlighted at our November 2022 “**Industry Action to Reduce Energy Theft**” workshop. Suppliers stated that they often face obstacles in securing police support during investigations and in pursuing prosecutions, as energy theft is not always prioritised by authorities. While acknowledging the challenge of competing priorities, police representatives at the workshop also noted difficulties due to the lack of clear industry points of contact and limited industry awareness, especially among newer entrants.

Difficulty securing police support for investigations is compounded by energy theft not being a priority for the Crown Prosecution Service in England and Wales or the Procurator Fiscal in Scotland. Limited police engagement weakens deterrence, emboldening organised crime groups and those offering “*tampering as a service*” to target vulnerable consumers.

A funded enforcement task force would be an innovative approach to tackling energy theft, using best practices from sectors like insurance. This service will reduce safety risks, lessen the financial burden on consumers, and provide a consistent, cost-effective enforcement pathway to investigate large-scale, organised energy theft and pursue prosecution. While aimed primarily at REC Parties, this could also act as focal point for referrals from other stakeholders with an interest in tackling energy theft. For instance, a tenant was jailed after breaching an injunction from social landlord Homes Plus,⁵ issued for bypassing an electricity meter and endangering the lives of his neighbours in a block of flats.

The Case for Change

The theft of electricity and gas is a significant challenge for the energy industry, increasing cost to consumers and threatening public safety. Global losses are estimated at £96 billion per year.⁶ Our own research completed in 2022 suggested that losses to theft in Great Britain were between 636 – 1,059 GWh of gas and 1,703 – 2,837 GWh of electricity per year. At December 2022 prices that equated to between £0.9 billion and £1.4 billion or around £50 additional cost to each bill-paying consumer. Adjusted to current prices, that same volume of energy theft would be worth **£457 – £760 million**.

While exact numbers are unknown, metering tampering in GB is thought to be widespread, with models predicting 801,560 cases broken down as follows:

- 43,720 electricity theft instances in commercial buildings
- 641,520 electricity theft instances in residential buildings

⁴ “[Energy theft in Great Britain \(GB\): Open letter on energy supplier obligations and performance in relation to the prevention and identification of energy theft](#)” Ofgem, 14 November 2023

⁵ <https://www.housingplusgroup.co.uk/news/prison-sentence-sends-warning-over-meter-tampering/>

⁶ Source: [Forbes citing research by Northeast Group](#)

- 1,980 gas theft instances in commercial buildings
- 114,340 gas theft instances in residential buildings

That combined total of 801,560 predicted by the model would represent **1.46% of the c55m meter points**. Breaking it down further, the model suggests that theft is more prevalent in electricity than gas, with the predicted 685,240 cases being 2.3% of the c.30m electricity meter points, while 116,630 cases would represent 0.46% of gas meter points.

The insurer *Direct Line* reports that **nearly half of electricians and gas engineers have been asked to tamper with meters** to slow them down, with a third having spotted evidence of tampering.⁷ The research also noted that many electricians and gas engineers carrying out regular jobs for clients have noticed signs of tampering. Nearly a third have spotted evidence of tampering attempts. *Energy Angels*, an organisation working in the social housing sector estimates that in the course of 2023 alone it came across around 9,300 cases of energy theft amongst the portfolios of social landlords for whom it provides services, around 25% of the market.⁸

While smart meters provide a new tool against theft, the data from them is currently under-utilised and may fall short of traditional methods. For instance, prosecutions for electricity abstraction have dropped by 90% since obligations for biannual meter inspections were removed from supply licences in 2016 (see Appendix 4).

Strategic Objective

Our strategic objective is to reduce the incidence of energy theft across the industry by establishing a dedicated enforcement unit (the ETU) that provides a consistent, robust, and collaborative response. This aim of the unit would be to mitigate safety risks, financial losses, and the operational impacts of energy theft while fostering deterrence and supporting industry-wide consumer protection goals.

This objective reflects the broader aims of:

- **Deterring and Reducing Crime:** Providing a visible, dedicated response to energy theft to discourage offenders.
- **Enhancing Safety and Reliability:** Minimising risks associated with tampered energy supplies, which can endanger public safety.
- **Reducing Financial Burden on Consumers:** Lowering the costs passed on to consumers as a result of stolen energy.
- **Supporting Industry Collaboration:** Creating a centralised and consistent enforcement pathway that involves all industry parties.
- **Promoting Fair Competition:** Ensuring that Energy Suppliers impacted by energy theft are supported in safeguarding their services and resources.

We propose to create the ETU in partnership with the City of London Police, emulating successful collaborations in the insurance, intellectual property, and banking sectors. This approach will leverage law enforcement expertise to address the urgent issue of energy theft. In addition to the ETU under the new REC Energy Theft service, we also propose to establish a new activity within RECCo (or a service provider) provisionally referred to as the Referral Assessment Service (RAS). The RAS would play a crucial role in supporting a dedicated police team tackling energy theft by acting as the initial filter and coordinator for cases, ensuring that only high-quality, actionable intelligence reaches the police unit. Key roles of the RAS would include:

⁷ See: <https://www.directlinegroup.co.uk/en/news/brand-news/2023/06062023.html>

⁸ [Unveiling the impact of energy theft: environmental impact and legal consequences' - Energy Angels](#)

Case Screening and Prioritisation: The RAS would review incoming reports of suspected energy theft, assessing each case based on factors like severity, risk, and potential impact. This ensures the police unit's resources are focused on the most significant and high-priority cases.

Data Collection and Verification: The team would work with front-line agents, suppliers, and network operators to collect, verify, and consolidate evidence and information for each case. This includes confirming that essential details, such as evidence of tampering, estimated value of stolen energy, and suspected criminal networks, are properly documented.

Standardising Referrals: By standardising the data and evidence requirements, the RAS would improve the consistency and quality of case referrals, making it easier for the police team to quickly understand and act on cases. This also ensures that all referrals meet the threshold needed for potential prosecution.

Coordination with REC Parties: The RAS would liaise with Energy Suppliers, Network Operators, and other REC Parties to gather additional insights, obtain permissions, and ensure alignment on cases. This coordinated approach strengthens the case and demonstrates industry-wide support for enforcement actions.

Initial Investigation Support: The RAS may conduct preliminary investigations, gathering supporting data, and creating profiles on repeat offenders or organised networks, saving the police team time in the early stages of case development.

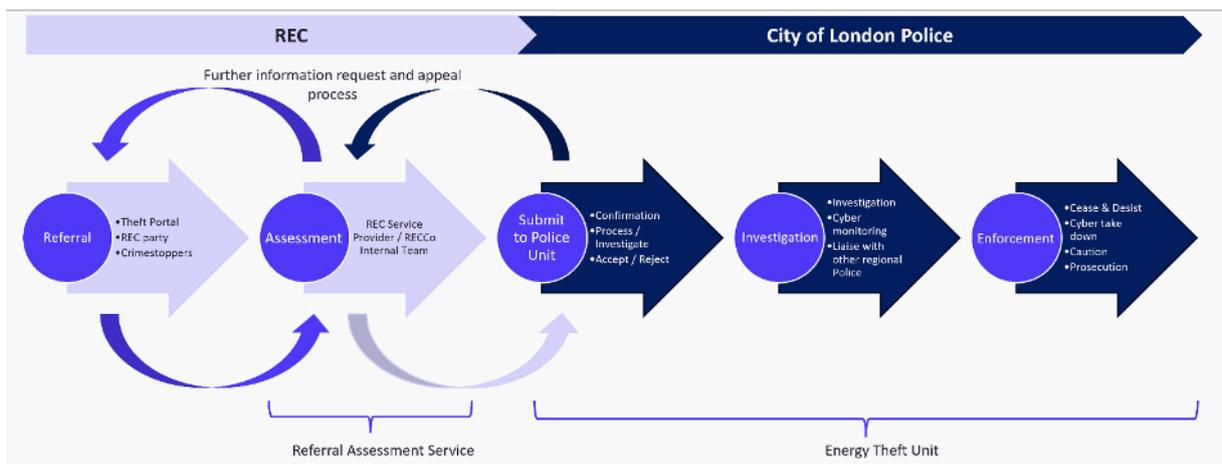
Risk Assessment and Deterrence Planning: The RAS can evaluate potential risks associated with each case, including the likelihood of organised crime involvement, and advise on public communication or deterrent strategies to maximise the impact of enforcement actions.

Case Handover to ETU: Once a case is fully assessed and ready for police intervention, the RAS ensures a seamless handover by providing a comprehensive case file, complete with evidence, risk assessments, and suggested lines of inquiry. This allows the police team to initiate action more efficiently.

Feedback loop and continuous improvement: The RAS would analyse outcomes from the ETU and possibly other police interventions, gathering feedback from the police team(s) to refine and improve referral standards, evidence requirements, and risk assessments over time.

By performing these roles, the RAS supports the ETU's effectiveness, enabling a streamlined, evidence-based approach that maximises the impact of enforcement actions against energy theft. A high-level target operating model for the RAS is provided in **Appendix 2**, and the ETU is set out below:

High-level process flow



Theft Reporting

Reporting inconsistencies between REC Parties and police forces, along with the lack of a defined offence code for gas theft, make it challenging to assess the scale of energy theft. A November 2022 Freedom of Information request by RECCo showed over half of police forces could not provide data on energy theft, citing limitations in record-keeping.⁹

There is currently no mechanism for Energy Suppliers and Network Parties to share intelligence or reports of energy theft to identify links to organised crime or facilitators of widespread theft for profit, i.e. those offering *tampering as a service*. Each supplier is generally responsible only for detecting, investigating, and preventing energy theft in the properties they supply. They do not have an obligation or legal remit to investigate tampering or theft involving meters registered to other suppliers or addresses outside their own portfolio. This limitation often makes it challenging to address organised energy theft or cases in which offenders tamper with multiple meters across different suppliers.

REC Parties report theft at individual addresses per REC guidelines but aren't obligated to report it as a crime or seek prosecution. Suppliers must retain removed meters as evidence for six months, but reporting practices vary, with no standard police process for action.

Addressing widespread or cross-supplier theft effectively requires a coordinated approach, involving law enforcement. We consider that the creation of the ETU and RAS as a centralised enforcement service will also act as a catalyst for improved monitoring and reporting, which will not only help inform investigations but also improve safety by enabling timely identification, analysis, and response to risks, helping to prevent future incidents.

City of London Police Existing Arrangements

The City of London Police is a local service, policing the City of London ('the Square Mile'), with a broader role leading nationally on fraud and economic crime. As the National Lead Force Operations, they lead the national response to fraud and cybercrime. It investigates some of the country's most complex cases of fraud, sets the national strategy and coordinates the operations response. They also host Action Fraud, the national reporting centre for fraud and cybercrime. Tackling economic and cybercrime is strategic aim of the force.

The City of London Police operates several specialised units funded through partnerships with various organisations to combat specific types of crime:

- Insurance Fraud Enforcement Department (IFED): Established in 2012 and funded by the Association of British Insurers (ABI), IFED focuses on tackling insurance fraud across sectors such as motor, property, and healthcare.
- Police Intellectual Property Crime Unit (PIPCU): Launched in 2013 with funding from the Intellectual Property Office (IPO), PIPCU addresses serious and organised intellectual property crime, including counterfeiting and digital piracy.
- Dedicated Card and Payment Crime Unit (DCPCU): A joint initiative with the Metropolitan Police Service, funded by the banking industry, DCPCU combats crimes related to banking and payments, focusing on fraudsters and organised crime groups.
- National Economic Crime Victim Care Unit (NECVCU): This unit provides support to victims of fraud and cybercrime, working with local forces to enhance victim care and reduce repeat victimisation.

These units operate with operational independence, ensuring that while they receive external funding, their investigative priorities and actions remain under police discretion.

⁹ For instance, see published response from: Metropolitan Police FOI Case Reference [01.FOI.22.027118](#)

Since its creation in 2012, the ABI has invested £45million in the IFED. The unit has investigated insurance fraud worth an estimated £363million, leading to:

- 3230 arrests
- 650 convictions, and
- 1660 other judicial outcomes.

IFED accepts crime referrals from insurers as well as from third parties, such as the Insurance Fraud Bureau (IFB). In addition, the unit maintains links with other forces and Regional Organised Crime Units (ROCU) throughout the United Kingdom, as well as Government agencies and other parties to continually build and develop intelligence.

A tactic that IFED has started to employ with positive results is the use of ‘cease and desist’ notices. This method is suitable for cases involving first-time offenders where there is unlikely to be a charge or conviction at court because it aims to educate the individual and deter them from committing further criminality. Out of 48 cease and desist notices served within the first year of its use being trialled, just one individual reoffended.¹⁰ A similar approach used by the ETU could reduce repeat offending.

In addition, IFED plays a key role in preventing and deterring fraud through stakeholder engagement and campaigns or one-to-one liaison with industry members. This enables the unit to highlight areas in which fraud can be identified and deterred before it begins.

Strategic Alignment with other Energy Theft Reduction Initiatives

While the proposed police partnership is not dependent upon any of the other initiatives, some of them are likely to be complementary. We consider that a holistic approach to energy theft with various initiatives working in concert is likely to have the greatest impact on mitigating theft and delivering value greater than the sum of their parts.

Initiative	Description	Alignment with ETU
Energy Theft Data Portal	We have launched a dedicated portal, providing heat-mapping, trend analysis and threat assessments and in due course, to act as a theft data hub. This will help inform REC parties and other stakeholders’ activities, policies and procedures. The portal is being developed in partnership with DeterTech UK, which has existing data sharing agreements in place with all GB police forces.	We anticipate that information from the portal can be used by the RAS and ETU to supplement the content of referrals. Subject to required security, there may also be scope to utilise the portal as the means of sending referrals through to the RAS, and potentially onto the ETU. It may also provide a channel for updates and guidance from the ETU to be disseminated to industry parties and their agents, as appropriate.
Data-Driven Detection	We will continue to assess the value and availability of smart meter readings and tamper alert data in identifying potential theft. In the short-term this can be expected to improve estimates of overall theft such as in the TEM but could also be used to generate leads for further investigation. This may inform business case(s) for any eventual replacement of the former Theft Risk Assessment Service.	This work may provide an important source of data to supplement and verify the information provided in referrals to the RAS.

¹⁰ See: <https://www.insurancetimes.co.uk/analysis/ifed-sees-success-combating-low-level-insurance-fraud-using-cease-and-desist-notice/1440690.article>

<p>Incentives - TDIS</p>	<p>Since the operation of the TDIS transferred to the REC we have sought to sharpen the incentives available under the scheme and encourage further theft investigations and subsequent detection. We have most recently proposed a change (reference I0173) that will reward the completion of theft investigation activity in line with best practice, even if it does not result in a confirmed theft report. In removing uncertainty and rewarding effort rather than outcome, we hope that suppliers will be able to make greater investments in investigative activities.</p>	<p>Energy Suppliers must submit all theft investigations, confirmed or unconfirmed, into TDIS, with debits and credits based on performance relative to the industry. While TDIS operates independently of any future ETU, investigation data may support RAS and ETU efforts. As theft prevention evolves, the nature of the incentive scheme may change, along with data submission requirements to support centralised detection and prevention rather than simply to validate incentive claims.</p>
<p>Incentives - Wider</p>	<p>We reviewed theft processes and incentives to identify gaps, such as high-cost cases exceeding the current theft Detection Value under TDIS. In collaboration with Xoserve, we are exploring a REC change to revive the Reasonable Endeavours Scheme as a dual fuel claims mechanism, allowing suppliers to share the costs of investigations that benefit the industry as a whole. This proposal is being progressed as REC Issue I0175.</p>	<p>A Reasonable Endeavours Scheme could complement an ETU by enabling the unit to work with one or more industry parties to undertake or support an investigation that may not ordinarily have been in their direct economic interests to pursue unilaterally,</p>
<p>Energy Theft Detection & Resolution Body</p>	<p>The Theft Issues Group is currently developing a proposal to create a centralised Energy Theft Detection & Resolution Body to provide consistent support for Energy Suppliers in detecting and investigating theft. This service would help REC Parties who may not have the economies of scale to support a revenue protection team or efficiently outsourced contract by offering resources to conduct thorough investigations and gather evidence. This proposal is under review as REC Issue I0176.</p>	<p>A centralised Energy Theft Detection & Resolution Body would operate independently but complement the RAS and ETU, potentially coordinating cross-supplier investigations and addressing linked theft cases. It could also step in when responsible parties fail or are unable to conduct thorough investigations. While its scope is still in development and would depend on a business case, consultation and code change, such a body would be consistent with the aims of the Theft Reduction Strategy and likely strengthen the effectiveness of the ETU as it evolves.</p>

Societal and Environmental Impacts

This proposal seeks not only to deliver financial and operational benefits to REC Parties in tackling energy theft but also to address the broader societal and environmental considerations. This also aligns with our commitment to deliver positive consumer outcomes in the broadest sense. Implementing this initiative is expected to have positive impacts as follows:

Health and Safety

The Theft Reduction Strategy prioritises reducing the health and safety risks from illegal meter tampering, supported by the Stay Energy Safe campaign. Although official injury statistics are lacking, regular media reports of electrocutions, fires and explosions highlight the dangers, including serious incidents involving fatalities.

A dedicated police partnership could help improve the accurate reporting of incidents. Based on supplier data, we estimate there are about 280 serious incidents annually. A 5% reduction in cases of theft could potentially prevent around 14 serious incidents each year.

Consumer Protection

While energy theft has some similarities to theft from physical retailers such as supermarkets, there are some differences which may reduce incentives to tackle it. Firstly, it is largely hidden from view, with a perceived lower risk of being caught and little or no opportunity for intervention. Secondly, physical retailers may have to absorb losses from stolen goods, while the cost of energy theft is spread across bill-paying consumers.

In electricity, stolen energy contributes to the Group Correction Factor,¹¹ which adjusts metered volumes of electricity to match the volume entering the distribution network¹². The volume of undetected theft is therefore distributed across all meter points, with its cost allocated to electricity suppliers and passed through to consumers. The gas industry similarly distributes the cost of stolen energy through the allocation of Unidentified Gas (UG) ¹³ within the settlement process.

In contrast to the shared cost approach to stolen energy, suppliers individually bear the expense of investigating theft cases. This creates a disincentive to pursue investigations which we aim to mitigate through the Theft Detection Incentive Scheme (TDIS).

Initiatives which reduce the cost and/or improve the efficacy of investigations can be expected to increase industry effort to mitigate theft. Reducing the volume of energy theft would directly lower consumer bills.

Carbon Reduction

Estimated carbon emissions from the estimated volumes of stolen energy are:¹⁴

- **Electricity** (1,703 – 2,837 GWh): 397,000 – 661,400 kgCO₂e
- **Gas** (636 – 1,059 GWh): 117,000 – 194,700 kgCO₂e.

While this proposal doesn't directly target emissions, energy theft weakens incentives for efficiency by shifting costs away from consumers, contributing to greater carbon emissions.

Although some energy theft costs are spread across consumers, lost revenue and inefficiencies due to theft also strain industry finances at a time when substantial investment in decarbonisation is needed. Non-domestic energy consumption is subject to the Climate Change Levy (CCL), which is essentially an environmental tax aimed at reducing greenhouse gas emissions by encouraging businesses to be energy efficient. Energy theft undermines this aim by reducing both efficiency incentives and revenues intended for environmental programs.

Impact on Public Finances

As noted above, energy consumption is also subject to taxes. The CCL is payable by business consumers only. Value Added Tax (VAT) is payable by both business and domestic consumers at 20% and 5% respectively. As set out above, stolen energy is treated as a system loss and smeared across all billed consumption. However, unless subsequently detected, reconciled, and billed for the stolen energy is not treated as having been consumed and therefore not subject to tax. This can lead to a significant loss to the exchequer and place further strain on public finances.

¹¹ For explanation see: https://www.gasgovernance.co.uk/sites/default/files/related-files/2024-04/slides_for_gas_workgroup_on_gcfs_dec_2021.pdf

¹² There are 14 electricity distribution networks, each of which are also known as Grid Supply Point (GSP) Groups

¹³ See: <https://www.xoserve.com/help-centre/demand-attribution/unidentified-gas-ug/>

¹⁴ Greenhouse gas reporting: conversion factors 2020.

Based on the mid-point point of the assumed volume of theft based on the TEM report, we estimate that the impact on lost tax revenue could be around £57.5 million per year, as set out in Table 1 below.

Table 1: Tax revenues lost due to energy theft:

Sector	Annual theft figures(GWh) based on TEM			£/GWh (inc' VAT)	£ @ mid-range	Mid-CCL @ £7.750/GWh	Mid-VAT @ 5% dom, 20%
	Low	Mid	High				
Elec - Comm	500.00	666.50	833.00	£ 272,000	£ 181,288,000	£ 5,165,375	£ 30,214,667
Elec - Dom	1203.00	1603.50	2004.00	£ 245,000	£ 392,857,500	N/A	£ 18,707,500
Gas - Comm	44.00	58.50	73.00	£ 64,000	£ 3,744,000	£ 453,375	£ 624,000
Gas - Dom	592.00	789.00	986.00	£ 62,400	£ 49,233,600	N/A	£ 2,344,457
Total	2339.00	3117.50	3896.00		£627,123,100	£ 5,618,750	£ 51,890,624

Economic Case

This section outlines the anticipated costs and benefits of establishing a dedicated police unit to tackle energy theft. The proposal aims to achieve measurable reductions in energy theft by enabling consistent, large-scale enforcement actions across the industry. In evaluating the costs and benefits, this analysis considers not only direct financial impacts but also wider societal benefits, including enhanced public safety, reduced consumer costs, and increased trust in the energy market.

Economic Appraisal

A thorough economic appraisal considers a broad range of costs and benefits, including social, economic, and public welfare factors. While some of these aspects are typically public policy matters, this proposal for a funded police partnership aims to mitigate energy theft for the benefit of the industry and consumers. Beyond reducing revenue losses, we considered indirect impacts such as safety hazards, consumer trust erosion, and the growing issue of fraud targeting vulnerable consumers.

Increasingly, vulnerable consumers are exploited with misinformation and costly illegal meter tampering services. There is limited capability to coordinate investigations or identify broader criminal patterns across multiple incidents. The proposed police partnership will enable targeted action against large-scale perpetrators who operate across multiple sites.

As the costs of this proposed scheme are largely operational with little up-front investment, and the benefits are heavily dependent on the prevailing costs of electricity and gas rather than predictably linked to RPI, our cost-benefit appraisal uses 2024 prices throughout the life of the initial three-year commitment of the scheme.

For the purposes of this appraisal, we have used prices determined by Ofgem under the default tariff cap¹⁵ as follows:

Electricity and gas unit prices and standing charges for 1 October to 31 December 2024	
Electricity unit charge	24.50 pence per kWh
Electricity standing charge	60.99 pence daily
Gas unit charge	6.24 pence per kWh
Gas standing charge	31.66 pence daily standing charge

Cost of the Scheme

We have detailed the costs of the police partnership scheme in the Financial Case. Although the minimum commitment to the ETU is for a period of three years, we expect the commencement date to be mid-2025/26. We have also included the implementation costs, including those that will be incurred during the remainder of 2024/25 if there is support for this business case. In total, the cost of the scheme would be **£6m**.

Cost - Benefit

The TEM modelling estimated that losses of between 636 - 1,059 GWh of gas and 1,703 - 2,837 GWh of electricity, which at Oct-Dec 2022 would give a cost of theft between £457 - £760 million. For the purposes of the cost benefit analysis, we have used the mid-range figure of **£609m/year**.

¹⁵ See: www.ofgem.gov.uk/energy-price-cap

A Cost-Benefit Ratio (CBR) is a metric that compares the benefits of a project or initiative to its costs. A ratio greater than 1 indicates that benefits exceed costs, suggesting the project is worthwhile, while a ratio less than 1 suggests that costs outweigh the benefits. The greater the ratio, the greater the value for money. For the purposes of the CBR, we have assumed that the police partnership would have a consistent effect in reducing energy theft across the three-year period for which we would enter into an agreement to fund the ETU. In order to achieve a CBR of greater than 1, the partnership would need to reduce theft by just 0.33% over that period.

$$\frac{\pounds 6\text{m}}{(\pounds 609\text{m} \times 3)} \times 100 = 0.33\%$$

While we cannot reasonably predict at this time what impact the police partnership will have, reducing existing levels of theft by just 1% over the three-year period would produce a net benefit to the industry of £12.3m, with a positive CBR of 3.05.

Table 2: Impact (£m) on existing theft over the life of the scheme (initial 3yr commitment):

	5%	1%	0.1%
Theft reduction (% of 3 x mid-range annual estimate of £609m)	£91.35	£18.27	£1.83
Cost (ETU + RAS, including set up costs)	£6.00	£6.00	£6.00
Net benefit	£85.35	£12.27	-£4.17
Cost-Benefit Ratio (CBR)	15.23	3.05	0.30

Deterrence

In addition to tackling existing theft, we consider that the creation of a police unit dedicated to tackling energy theft will change perception of risk, and act as an effective deterrent to new theft.

Unlike other forms of retail theft, where each act requires a conscious decision, bypassing or tampering with a meter will lead to ongoing theft through regular consumption without further action. This cumulative theft can last for years, making deterrence value highly variable and dependent on theft duration rather than unit cost.

Studies on crime prevention suggest variable success in deterrence, with theories like rational choice and routine activities indicating that crime occurs when there is a motivated offender, a suitable target, and a lack of capable guardians.¹⁶ The ETU will fill this gap by serving as a deterrent, though its impact will be challenging to measure directly. This document includes assumptions on the unit's deterrent effectiveness.

Based on the 801,560 estimated number of theft cases in the TEM report and an assumed duration of three years there may be approximately 267,000 new tampers or bypasses attempted each year across domestic and non-domestic premises.

$$\frac{\pounds 609\text{m}}{267,000} = \pounds 2,281$$

If each case of energy theft is assumed to cost £2,281 per year for the assumed average duration of three years, the breakeven point for the proposed ETU and RAS would be only 292 deterred thefts.

$$\frac{\pounds 2.0\text{m}}{\pounds 2,281 \times 3} = 292$$

¹⁶ [Routine Activity Theories - Criminology - Oxford Bibliographies](#)

Rational choice theory suggests that offenders will weigh risk against rewards. The creation and subsequent public awareness of the ETU will increase the perceived risk and should logically reduce rates of offending. To achieve the breakeven point of 292 avoided cases would require a reduction of just 0.109% of the estimated 267,000 new cases per year.

Again, using three scenarios of a 0.1%, 1% and 5% would suggest impacts as shown in Table 3.

Table 3: Estimated deterrent effect:

	5%	1%	0.1%
Deterred thefts	13,350	2,670	267
Average cost of theft (£2,281/yr x 3yrs)	£6,843	£6,843	£6,843
Avoided cost of theft (£m/yr)	£ 91.35	£ 18.27	£ 1.83

Prevention of fatalities and serious injury

Cost-benefit analysis cannot truly capture the value of life or serious injury, but for this appraisal, we referenced similar approaches. The HM Treasury Green Book uses Department of Transport (DoT) valuations for prevented fatalities and injuries in road accident to assess DoT policies.

The DoT analysis serves as a useful proxy for our analysis, as it accounts for costs like lost output, medical care, human costs, and police and insurance expenses. For our analysis we adjusted the costs per casualty from the published 2022 prices to 2024 prices in line with the other costs and benefits used in this document, giving a value of fatalities prevented (VFP) of £2.75m per casualty and value of serious injury prevented (VSIP) of £0.31m.

There are currently no reliable official figures on the number of injuries or fatalities attributable to energy theft. As set out in the Strategic Cases section of this document, we estimate the number of serious injuries and fatalities to be approximately **280 per year**. As a single use of the VFP would exceed the annual cost of the proposed police partnership, we have used the lower VSIP figure only.

Table 4: Value of statistically prevented injuries.

	5%	1%	0.1%
Reduction in serious incidents over 3 years	42	8	1
Value (serious incidents prevented x £0.31m)	£ 13.02	£ 2.48	£ 0.31

Money recovered from Compensation Orders and Seized Assets

IFED has recovered over £3m in assets. Similar powers may be available to the ETU. However, as the allocation of recovered assets is determined by court rulings, we have excluded asset recovery from this economic case.

Conclusion

We have taken a conservative approach to estimating the benefits of the proposed police partnership. However, given the scale of estimated theft, even a small reduction would cover the costs of both the ETU and RAS. We welcome stakeholders' input into scenarios that should be used for the Final Business Case.

We expect both direct benefits from stopping active theft and indirect benefits from increased deterrence. A 1% reduction in theft would generate a net benefit of £30.56 million over the initial three-year commitment.

Table 5: Combined impacts of investigations and deterrent.

	5%	1%	0.1%
Direct theft reduction through investigations (£m)	£91.35	£18.27	£1.83
Indirect theft reduction through deterrence (£m)	£91.35	£18.27	£1.83
Project cost (whole of life) (£m)	£6.00	£6.00	£6.00
Net benefit	£176.70	£30.54	-£2.35
Cost-Benefit Ratio (CBR)	30.45	6.09	0.61

Consumer Trust

Energy Suppliers may hesitate to pursue aggressive energy theft enforcement due to concerns over bad publicity. While the ETU can distance suppliers from enforcement actions, investigations must still be handled sensitively, with proportionate and targeted prosecutions supported by the RAS's triage function. The creation of the dedicated taskforce should increase consumer trust in the market by addressing key concerns related to fairness, safety, and industry accountability, as follows:

Enhanced Fairness and Equity: By actively tackling energy theft, the ETU would help reduce the financial burden on honest consumers who indirectly pay for stolen energy through higher bills. This effort demonstrates a commitment to fairness, reassuring consumers that they're not subsidising illegal activities.

Improved Safety and Consumer Protection: Illegal tampering with energy meters poses safety risks, from gas leaks to electrical hazards. The ETU would reduce these risks by detecting and addressing hazardous situations more effectively, helping industry parties to reassure consumers that their safety is a priority.

Deterrence of Fraud Targeting Vulnerable Consumers: We are aware of vulnerable consumers being targeted with scams that encourage meter tampering for a fee. The ETU would aim to disrupt these schemes, protecting consumers from fraud and financial exploitation.

Transparent Enforcement and Accountability: The ETU, supported by the RAS, would create a clear enforcement pathway, demonstrating the industry's commitment to uphold standards and address criminal behaviour, thereby building trust through transparency and accountability. Overall, a police unit dedicated to addressing energy theft would make consumers feel safer, promote fairness, and demonstrate the industry's commitment to protecting consumers.

Risks and mitigations

We recognise that the success of the police partnership will be heavily dependent upon the extent to which REC Parties actively engage with it, and that it delivers demonstrable results. The aim of the RAS is to give the ETU the best possible chance of success by ensuring the quality of referrals, including the provision of additional data and insights where possible. However, this must also be a timely process. We will work with stakeholders during the development of the REC change proposal to ensure that the RAS operating model strikes the appropriate balance between speed and rigour.

A high-level assessment of the risks to the efficacy of the service and potential mitigations is set out below.

Table 6: Key risks and mitigations

Risk	Description
Ineffective Prosecution	The effectiveness of the enforcement service hinges on successful prosecution of offenders. If the collaboration between REC Parties and the police fails to achieve successful prosecution where appropriate, the deterrent effect of the service may be compromised.
Lack of Consistency	Ensuring a nationally consistent, robust, and proportionate police and prosecutorial response is essential for combating energy theft uniformly across different Energy Suppliers and Network Parties. Inconsistencies in enforcement practices could undermine the effectiveness of the service.
Insufficient Deterrent Effect	While increased theft detection and prosecutions are expected to act as a visible deterrent, the effectiveness of this deterrence relies on effective communication and publicising of the enforcement service. If the messaging fails to convey the severity of consequences for energy theft, potential offenders may not perceive it as a significant risk, leading to continued illicit activities.
Volume of Quality Referrals	The enforcement service will rely on thorough information capture that meets evidential standards. Inadequate frontline investigation practices or insufficient evidence may result in fewer or lower-quality referrals, reducing the chances of successful prosecutions and deterrence.
Public Perception	Public perception will play a crucial role in shaping the effectiveness and acceptance of the enforcement service. If seen as solely driven by revenue protection or unfairly targeting vulnerable consumers, it risks media and public backlash. Managing this requires clear communication to ensure transparency and public alignment.
Limited Jurisdiction	The ability of the enforcement service to investigate cases nationally across multiple Energy Suppliers and Network Parties is critical for tackling organised criminal activity effectively. However, jurisdictional complexities and legal limitations may hinder the service's reach, potentially allowing energy theft operations to evade scrutiny and prosecution.
Inconsistent Cease and Desist Orders	The issuance of cease-and-desist orders by the enforcement service requires consistency and authority to be effective. If there are inconsistencies in the application of such orders or a lack of authority, offenders may perceive them as mere warnings without significant consequences, undermining the service's deterrent effect.

Financial Case

This section focuses on whether the proposal is financially viable and affordable. We set out how we propose to recover the costs of the proposed services.

Cost Estimates

Establishing and operating the new Theft Enforcement service including ETU and RAS will require adequate financial resources to support personnel, technology investments, training programs, and operational expenses. The funding arrangements must ensure the sustainability and effectiveness of the proposed strategy while minimising the financial burden on stakeholders.

RECCo proposes to enter into a sponsored services agreement funded by the energy industry, similar to the ETTOS arrangement with Crimestoppers. The forecast cost for the ETU is **£1.6 m** (ex VAT) per year (2024 prices) to cover setup costs and staffing. This would be for an initial three-year commitment, and subject to 12 months' notice of termination. For the purposes of this OBC we have therefore included the full costs of the three-year commitment through to the initial expiry date mid-2028/29, though of course these projections would be revisited if the services are extended. A decision on that would be expected no later than Autumn 2027.

The estimated cost of the RAS is up to **£0.32m** per year, made up largely of staffing costs. We would expect that RAS would initially be staffed by contractors on a minimum viable basis and scale up as and when we have a better idea of the volume of referrals being made to it and the extent of work required on each, before being handed on to the ETU as appropriate. Table 6 below therefore assumes 50% staffing costs for 2025/26 handling an initial low volume case load, with full recruitment to be completed by the start of 2026/27.

The mobilisation of the ETU and RAS services will require the support of existing RECCo staff, Subject Matter Experts (SMEs) and legal and technical support. RECCo staff costs are recovered from core REC funding and not separately listed here, but we have allowed for **£60k** to cover the time and materials-based support of SMEs, legal and technical support.

We anticipate a requirement for an IT system to manage referrals and the case work of the RAS. Subject to further work being completed on the functional and non-functional requirements of this system, we anticipate that it may be a configurable off-the-shelf solution. We have therefore allowed for an initial investment of **£50k** with a further **£20k** for annual support costs.

The cost of making changes to the REC to give effect to the ETU and RAS has not been separately listed as these are sunk costs already being incurred as part of the existing code manager contract. However, we have also included a provision of **£50k** to procure any necessary support to inform a decision on whether to extend the service beyond the initial three-year commitment. We expect that work would be completed in Q2 2027/28.

The overall REC budget is subject to a modest contingency allowance, which for example in 2024/25 was 3.7%. We have therefore not included a specific contingency allowance for this project as that could lead to double counting.

The total cost for the initial three-year commitment to the ETU and supporting RAS would be **£6.0m** (2024 prices) as follows:

Table 7: Projected costs:

Costs in 2024 prices (£m)	25/26	26/27	27/28	28/29
ETU (3yr commitment)	£0.80	£1.60	£1.60	£0.80
RAS Team	£0.16	£0.32	£0.32	£0.16
Referral Assessment System (one off IT Opex)	£0.05	£0.00	£0.00	£0.00
Referral Assessment System (training/annual support)	£0.02	£0.02	£0.02	£0.02
RECCo support team (mobilisation)	£0.06	£0.00	£0.00	£0.00
Review of ETU & RAS VFM - inform renewal decision	£0.00	£0.00	£0.05	£0.00
Total costs per year	£1.09	£1.94	£1.99	£0.98
Lifetime cost				£6.00

Funding Approach

As the costs of the ETU and RAS will be largely fixed (with some flexibility over staffing of the RAS) the volume of referrals is currently not predictable. We therefore do not think that a fee-based approach would be practicable. While the source of referrals may not be limited to Energy Suppliers alone, we propose that the cost of the sponsored services agreement would be **recovered from Energy Suppliers**, contributing funds relative to their market share pursuant to **Clause 9 of the REC**.

If stakeholders consider that it may be suitable to seek a contribution from the Gas Transporter and Electricity Distribution Network Operator parties to the REC, that could be looked at in due course. Any such approach could be given effect through a change to the REC Charging Methodology and Charging Statement at any point during the life of the service and does not directly impact upon the establishment of the ETU or RAS. We therefore do not propose to establish bespoke funding arrangements as part for this project.

Budget

Our Forward Work Plan and Budget documents for 2024/27 includes financial projections for that three-year period. While this included provision for projects, these are reviewed each year and, as such, the current allocation for the **Theft Reduction Programme** is £500k for 2024/25 and 2025/26 and £1M for 2026/27. The Theft Reduction Programme includes project costs, the priorities for which are to improve theft related incentives, data insights and enforcement.

The budget allocated to **Theft Services** reflects the costs of existing and enduring theft related services such as the Energy Theft Tip-off Service ('ETTOS') and the supporting marketing and awareness campaign. It also covers the development of a 'proof of concept' Theft Portal.

In keeping with our commitment to transparency, in addition to presenting a budget for the forthcoming financial year, we also provide indicative projections for the following two years. Our 2024/25 budget document therefore included within the Theft Services forecast for 2025/26 and 2026/27 an initial £1m provision for the theft investigation and prosecution service, now referred to as the ETU. Subject to the outcome of consultation on this OBC, we will include these proposals within our FWP and subsequent budget for 2025/26, reflecting the costs set out in this document.

If stakeholders support these proposals, the **£170K** cost to support set up during the remainder of 2024/25 could be covered by the existing £500k Theft Reduction Programme allowance.

Commercial Case

This section provides an overview of our approach to procurement and contracting.

Procurement Strategy

The ETU

The ETU would be an independent, fully operational, and dedicated investigation unit to undertake the cost-efficient investigation and prevention of retail energy theft crime. It will include, as appropriate, the targeting and disruption of perpetrators.

We have considered potential providers of an ETU service, from both a law-enforcement and non-profit background, as well as for-profit service providers. In some cases, such as the National Crime Agency (NCA) we have ruled them out as we have identified no precedent of them entering into the sort of partnership we envisage.

We have considered the option of pursuing a commercial contract with an outsourcing organisation such as Capita, which undertakes the administration and enforcement of TV licensing. While this may be viable in tackling individual cases, energy theft may be more complex as unlike TV licensing there is not a single organisation on whose behalf the service provider can act and be given agency to utilise any powers that may be required to fulfil the role. For instance, while legislation provide licensees with rights of entry¹⁷ these are limited to the relevant network operator and supplier. An effective nationwide service could therefore require dozens of legally binding agreements to be developed. The scope of activity that can be undertaken by any commercial provider will also be limited and would not extend to tackling the perpetrators of organised crime and those who facilitate energy theft by installing meter bypasses as a service. We are also concerned at the risk of unintended consequences that may be created in seeking to performance manage and incentivise a for-profit organisation undertaking these activities.¹⁸

Based on the above, we consider the City of London Police to be an ideal partner for addressing energy theft and related illegal activities on a national scale. The contractual arrangement will be a sponsored agreement between RECCo and the City of London Police, defining roles to ensure the ETU can effectively address energy theft, benefiting suppliers through reduced losses and improved compliance. The agreement would include a 3-year minimum commitment with a 12-month notice period. An in-depth review at the two-year mark will assess progress on key success factors to decide on extending the service beyond the initial term. Pending the outcome of consultations on this Outline Business Case (OBC), we will proceed with a single-source procurement to establish the sponsored services agreement.

The RAS

Referrals to the ETU would first go through the RAS, a dedicated team responsible for reviewing and filtering cases from energy industry stakeholders. Referrals will be scored based on objective criteria, developed by RECCo with stakeholder input, known as the "Energy Theft Strategic Threat Assessment Criteria." The ETU will guide the RAS to ensure evidence meets standards for prosecution by the Crown Prosecution Service or Procurator Fiscal Service. As a start-up function, the RAS will initially support ETU mobilisation and adapt to its evolving needs, making internal delivery by RECCo most suitable.

It will remain an option to outsource the provision of the RAS if its operation stabilises into business as usual and subject to the ETU being extended beyond the initial three-year commitment, as above.

¹⁷ Rights of Entry (Gas and Electricity Boards) Act 1954

¹⁸ [The TV licence fee scandal: why are 1,000 people a week being casually criminalised?](#) The Guardian 29/02/24.

Management Case

This section outlines how RECCo's proposal to partner with the City of London Police on a dedicated energy theft unit will be governed to ensure successful delivery.

Building the business case

This document is the second stage of our business case development for the proposal to establish a dedicated police partnership to tackle energy theft. The next and final stage, the Full Business Case will subject to response to this document again follow the five-case model used in the SOC and this OBC and accompany a draft REC change proposal. We will also include within our proposals for the 2025/26 Forward Work Plan the necessary budget for the ETU and RAS, as outlined in the Financial Case section.

Phase 1 of this project was the completion of a Strategic Outline Case (SOC) which was published for consultation in May 2024. Amongst respondents there was strong support for the proposals.

Phase 2 – This Outline Business Case (OBC) builds on the SOC and stakeholder feedback to evaluate establishing a funded police unit for energy theft investigation. It includes a target operating model defining roles for the unit, industry parties, and RECCo including the proposed Referral Assessment team to coordinate and ensure quality in industry information gathering. Clear referral criteria will focus resources on serious, systemic offences. The OBC will assess the project's costs, benefits, and alignment with REC objectives and theft reduction efforts.

The OBC will be reviewed by REC Parties and stakeholders, ensuring transparency and enabling scrutiny. Feedback will inform a recommendation to the Energy Theft Reduction Steering Committee on advancing to the next project phase.

Phase 3 – Subject to the outcome of the OBC, the theft team will proceed to develop a Full Business Case which will inform the necessary REC Change Proposals, and any suitable commitments as part of the 2025/26 Forward Work Plan.



Governance and Reporting

RECCo employs a structured project governance framework to ensure effective oversight and management of its initiatives. This framework includes the establishment of dedicated steering committees, which in this case would be fulfilled by the Energy Theft Reduction Steering Committee ('Theft Steerco'), which play a pivotal role in guiding specific projects.

Project Governance Structures:

- **Steering Committees:** RECCo forms steering committees to oversee major projects. These committees provide strategic direction, monitor progress, and ensure alignment with RECCo's objectives. For instance, the Theft Steerco focuses on initiatives related to energy theft reduction. The executive sponsor for the Theft Steerco is the RECCo CEO.
- **Stakeholder Advisory Groups:** To enhance transparency and incorporate diverse perspectives, RECCo may established Stakeholder Advisory Groups (SAGs). These groups consist of various

stakeholders who guide RECCo project teams across core programmes, including the evolution of the Code Manager Service and Enquiry Services. Subject to response to this OBC we will consider whether to establish a dedicated Stakeholder Advisory Group (SAG) for this project, use one of the existing SAGs, or continue to liaise with the Theft Issues Group (TIG) and Energy theft Reduction Expert Group (ETREG)

- **Internal Teams:** RECCo's internal teams are responsible for the day-to-day management and execution of projects. They collaborate closely with steering committees and advisory groups to ensure projects are delivered efficiently and effectively.

This multi-tiered governance structure enables RECCo to manage projects with a balance of strategic oversight and operational execution, ensuring that initiatives align with the company's mission and deliver positive outcomes for the retail energy market.

Organisational Structure

The organisational structure for the proposed Energy Theft Unit would be developed in collaboration with the City of London police and complemented by the RAS. The ETU will consist primarily of police officers and support staff responsible for investigation, enforcement and data analytics. This could be extended to include public outreach and social media monitoring. The ETU, supported by the RAS, will act as a focal point to facilitate increased coordination between industry parties and other agencies, improving upon information gathering and sharing to create enhanced insights and actionable intelligence.

Roles and responsibilities within the unit will be clearly defined to optimise efficiency and effectiveness. By streamlining processes and promoting collaboration, the unit will be better equipped to address the multifaceted challenges of energy theft.

Capacity Building and Training

Relevant training programs are essential for equipping personnel with the skills and knowledge required to combat energy theft effectively. Appropriate training curricula within organisations should cover areas such as investigation techniques, legal procedures, data analysis, and public outreach.

The ETU will help identify where the energy industry's response to energy theft can be strengthened through capacity building and training, ensuring that personnel are well-prepared to tackle the challenges of energy theft now and in the future. This could, for instance, take the form of REC guidance and procedures around evidence handling, through to the development and delivery of tailored training courses.

Changes to the REC

Subject to the responses to consultation on this OBC, we will raise a change proposal giving effect to the establishment of the ETU and RAS. The funding agreement between RECCo and City of London police will not form part of the REC, being closer in nature to a contract between RECCo and a service provider. However, the overall service including the establishment of the RAS and the services it offers to REC Parties and other stakeholders will be set out in the REC. As such, it will be subject to change through the REC change management process.

Changes to REC Schedule 7 (Energy Theft Reduction) will be needed to add sections and annexes outlining RECCo's and the REC Board's obligations for the RAS and ETU services and REC Parties' obligations to engage with these services.

Funding requirements are already covered by Clause 9 of the REC main body.

REC Schedule 8 (Unbilled Energy Code of Practice) may be updated to require referrals to the ETU and guidance on evidence handling. REC Schedule 1 (Interpretations and Definitions) and Schedule 10 (Charging Methodology) will need updates to include RAS and ETU definitions and charging methods.

No immediate changes to the Performance Assurance Catalogue (PARC) are expected, as the initial RAS and ETU referral mechanisms will operate independently of TDIS files. Future changes to PARC may be considered if a centralised data collection for energy theft is adopted.

Risk Management

The following key risks have been identified and will be managed through the delivery of the project:

Risk	Impact	Mitigation
The Police may struggle to recruit the required ETU resources on time.	Delays could reduce industry confidence in RECCo and project engagement.	Engage with the City of London Police at both operational and senior levels. Consider phased implementation (e.g. start with analytical support, add detective support later) and ensure the ETU contract includes sufficient notice for staff redeployment if needed.
Insufficient theft data outside TDIS reporting from suppliers.	Reduces ETU's operational effectiveness.	Base assessments on available data and report gaps to consider for future use.
Lack of agreement from City of London Police senior management.	The project cannot proceed without their commitment.	RECCo has engaged with senior management team. Maintain regular engagement to address concerns and secure their commitment.
Insufficient resources to establish the RAS.	Delays, reducing industry confidence and engagement.	Use existing RECCo staff or contractors temporarily, backfill roles, offer competitive salaries, and highlight RECCo's positive work environment.
REC Change Process takes longer than expected.	Potential withdrawal of City of London Police support if delays persist.	Re-plan based on confirmed timelines and maintained communication with the Code Manager to monitor progress.

Table 8: Identified high-level risks, impacts and mitigations.

Any new risks identified for the project will be captured and monitored using the Risk Register for the Energy Theft Reduction Programme. The mitigations proposed for any of the risks identified will be implemented should any of the risks materialise.

Performance Management

Performance management systems should enable ongoing monitoring of anti-theft activities, helping stakeholders identify strengths, weaknesses, and areas for improvement. By fostering accountability and continuous improvement, these systems optimise anti-theft efforts and resource allocation. Stakeholder engagement should also be integrated to ensure transparency.

We will build upon the draft Critical Success Factors below and develop accompanying metrics to provide funding parties with clear visibility on the ETU and RAS's effectiveness. This will support ongoing improvements and inform a decision on whether to extend scale the partnership beyond three years.

Aligned with the focus on public safety over revenue, we aim to develop an evidence-based measure of the industry's impact on public safety, supported by data gathering through the ETU.

The goal of any Energy Theft Reduction initiative is to improve the security and safety of the energy infrastructure whilst reducing financial losses associated with stolen energy. By preserving revenue streams, minimising disruptions and improving safety measures in the energy sector, the economy stands to benefit from increased stability and sustained growth. This will in turn, reduce the cost of energy to the end consumer.

No.	Critical Success Factors
1	Reduction of threats, harm and risks - through enforcement, disruption and prevention activity.
2	Building stakeholder relationships - cooperate with other police forces and Regional Organised Crime Units to support investigations within communities, preventing people from engaging in retail energy crime and others from falling victim to harm caused by professional enablers.
3	Delivering visible deterrents - improving the quality of information gathered and the evidence secured to increase potential for successful prosecution.
4	Implementing proactive disruptive tactics - to include the take down of websites and social media posts and sharing learning points with the Energy Industry to prevent ongoing occurrences.
5	Police backed education and awareness campaigns - for both industry stakeholders and the general public, supporting the Stay Energy Safe campaign to highlight the dangers of energy theft and improving industry collaboration to effectively mitigate it

Table 9: Critical Success Factors

Key Planning Considerations

A number of delivery plan features have been considered to best enable a successful and timely delivery. These are as follows:

1. The requirement for industry consultation on an OBC to establish visibility of the level of industry support for an ETU;
2. The timing of the production and consultation of the OBC to enable the budget for the proposed ETU delivery to be included in the Forward Work Plan for 2025-28.
3. The timing of the Change Proposal submission to ensure the project could be mobilised in the 2025-26 financial year.
4. Assumed six-month lead time for requirements into the ETU, targeting 1 October 2025, six months from giving effect to the sponsored services agreement. To be signed c.1 April 2025.

Next Steps

Following consultation on this Outline Business Case, and subject to stakeholder support, RECCo will proceed with mobilising the Energy Theft Unit (ETU) and establishing the Referral Assessment Service (RAS) to enhance energy theft enforcement in partnership with the City of London Police. This next phase will involve detailed planning, stakeholder engagement, and formal REC Change Proposals to support the ETU's integration into the industry framework, ensuring a transparent, effective approach to energy theft reduction.

Consultation

This Outline Business Case follows on from the Strategic Outline Case¹⁹ which we consulted upon in June 2024, receiving strong support to proceed with the development of the proposal. Subject to again receiving support for the proposals set out in this Outline Business Case, we will proceed with the development of the Final Business Case and REC Change Proposals, both of which would be consulted upon as set out in the Management Case. In order to reduce the burden upon Parties, we intend to publish the Final Business Case alongside the draft Change Proposal and to consult upon them both as part of the Party Impact Assessment. Subject to any issues raised in response to this consultation, we will aim to publish the Final Business Case and draft REC change proposal in advance of and in support of the 2025-28 Forward Work Plan in January 2025.

We would welcome feedback on the questions set out below by **6 December 2024**. Responses may be provided via an online survey available: [here](#).

Or via email to: Theft@retailenergycode.co.uk

Questions:

1. Do you agree that engagement with the police is currently a problem when tackling energy theft, as identified by the November 2022 workshop?
2. Does the Outline Business Case make a strong case for moving forward with the police partnership?
3. Is the need for a Referral Assessment Service alongside the Energy Theft Unit clearly explained and justified?
4. Do you agree with the establishment of a Referral Assessment Service?
5. Do you agree that RECCo should work with stakeholders and the City of London police to develop criteria for energy theft case for referrals?
6. Do you agree that there is a sufficient Cost Benefit Ratio to proceed?
7. Are there any additional project risks that we should capture, monitor, and mitigate?
8. Are changes to the REC required to introduce the ETU and RAS in addition to those identified?
9. Are there any additional success factors that should be considered?

¹⁹ See: www.retailenergycode.co.uk/fs/wp-content/uploads/2024/10/Energy-Theft-Reduction-Police-Partnership-Proposal-Strategic-Outline-Case-May-24.pdf

10. If this service had been available previously, how many cases would you have referred annually?
11. What system or process changes, if any, would you need to make use of the proposed service?
12. Do you have any additional comments or suggestions on the Outline Business Case?

REC Change Proposal

The anticipated changes to the REC that would be required to introduce the ETU and the RAS are outlined in the Management Case. In order that the change proposal could progress through the normal change management process and be implemented in time for Q3 2025 we will raise and progress the change in parallel with the development of the Final Business Case and ahead of the publication of the 2025/26 Forward Work Plan. Raising that change proposal is without prejudice to our consideration of responses to this or any future consultation on these proposals.

As part of the supporting material for the change proposal and/or the Final Business Case we will also develop and publish a Data Protection Impact Assessment (DPIA) covering the sharing of data between referring parties and the RAS, and onwards onto the ETU.

Key Milestones

On the basis of above, the following critical path to delivery has been identified in order to navigate key constraints:

November 2024	- Stakeholder consultation on the OBC.
December 2024	- Responses to OBC received. - REC Change Proposal raised.
January 2025	- Police partnership included in 2025-28 FWP. - Final Business Case published.
June 2025	- REC Change Proposal implemented.
July 2025	- RAS mobilised
October 2025	- ETU mobilised

Appendix 1 – Energy Theft Unit requirements and options

This section outlines the high-level requirements for an Energy Theft Unit (ETU) and evaluates potential service providers.

City of London Police are the national lead force for economic crime and the National Business Crime Centre (NBCC). As part of this role, they have a number of innovative partnerships in place to police particular economic crimes or assist an organisation in meeting specific goals in the counter fraud sphere. One such funded unit is the Insurance Fraud Enforcement Department (IFED) which operates under a sponsored services agreement funded by the Insurance industry.

The funded unit model is mature, effective and deemed fit for the purpose of RECCo's requirements.

Capita is a consulting, transformation and digital services business who are contracted by the BBC to fulfil TV licensing collection, management and administration on their behalf. Capita have carried out this activity for more than 20 years and employs over 1,000 people in the UK on the contract. The last contract renewal was in July 2022 to run to June 2027 at a cost of £456m. Every year there is a requirement to contact, chase and collect licence fees from 94% of UK households. This equates to £3.5bn in licence fees which the BBC uses to fund its programmes and services.

Capita are also a strategic partner of the Ministry of Justice, the Home Office, Ireland's Department of Justice and over 30 police forces throughout the UK. Their services include introducing technology such as data and automation, transforming processes and providing expert people resource to improve outcomes for the police, the judiciary and the wider public. More information can be found within their digital policing services portfolio: [capita-digital-policing-portfolio.pdf](#)

National Crime Agency (NCA) is a national law enforcement agency in the United Kingdom. It is the UK's lead agency against organised crime – human, weapon and drug trafficking, cybercrime and economic crime that goes across regional and international borders but can be tasked to investigate any crime. The NCA target the most dangerous offenders involved in serious and organised crime, operating proactively in high-risk environments against criminals responsible for the most damaging impact on victims, conducting investigations to help bring offenders to justice through the courts or, if that is not possible, to disrupt criminal operations using other means.

To our knowledge the NCA does not participate in funded or sponsored agreements and theft of energy does not currently align with its strategic priorities.

[file \(nationalcrimeagency.gov.uk\)](#)

The **Federation Against Copyright Theft (FACT)** stands at the forefront of investigative and intelligence services and is recognised by organisations, law enforcement and governments worldwide. It prides itself on being a long-term leader of IP protection and providing high quality due diligence, investigations and digital forensic services. FACT investigates and takes action against illegal content providers and provides information about the risks of engaging with piracy and illegal content. Its partnership with Crimestoppers UK allows for the anonymous reporting of crime and illegal activity.

While there may be lessons that we can take from the establishment and operation of the FACT, its remit means it is not a suitable partner for energy theft enforcement.

[FACT - Due Diligence, Investigations, and IP protection \(fact-uk.org.uk\)](#)

Options Appraisal

ETU

Options	Pros	Cons
Option 1 - ETU provided by City of London (CoL) Police	<ul style="list-style-type: none"> - Mature, effective operational model tailored to combating economic crime. - Ability to leverage existing partnerships and police resources to deter and prosecute offenders nationally. - Scalable to national coverage. 	<ul style="list-style-type: none"> - Limited flexibility in changing legal terms as the model is based on existing frameworks. - High dependence on the availability and willingness of the CoL Police to prioritise this service.
Option 2 - ETU provided by an outsourcing provider:	<ul style="list-style-type: none"> - Scale up operations and add staff as needed, providing flexibility to handle fluctuating demand without long-term commitments. - Performance-Based Contracting, including metrics in the contract, with incentives and penalties tied to outcomes, promoting accountability and allowing the energy sector to influence service quality. 	<ul style="list-style-type: none"> - Lack of policing authority limits enforcement capabilities. - Does not meet specific competencies required, particularly for tackling organised energy theft crime.
Option 3 - 'Do Nothing' - no ETU	<ul style="list-style-type: none"> - No set up or operational cost for RECCo. 	<ul style="list-style-type: none"> - Fails to meet RECCo's strategic goals and commitment to address energy theft. - Lacks industry support as indicated in prior consultations. - No deterrent effect, leading to ongoing theft issues.

Operational Scope	
Operationally independent with a mandate to investigate, target, disrupt and prevent Energy Theft.	The ETU will operate independently but follow the Energy Theft Strategic Threat Assessment, a methodology to be developed by RECCo and the City of London Police, with appropriate input from stakeholders. This document will outline industry-specific threats, focusing on risks, vulnerabilities, and organised crime targets, guiding the ETU's priorities and referral criteria.
	Although based in London, the City of London Police ETU will act as a primary liaison conduit with law enforcement colleagues elsewhere in England, Wales and Scotland to co-ordinate enforcement and awareness.
	Where appropriate the ETU will arrest and seek the prosecution of offenders identified as responsible.
Structure & Methods	
A dedicated police unit	Bespoke unit within the City of London Police dedicated to combating Energy Theft.

	One operational team of c.12, managed by a Detective Sergeant and consisting of Detective Constables, Financial Investigators, Senior Analysts and Police staff to provide administrative support to the unit and energy industry
Traditional policing methods as well as intelligence analysis and research	Use of a mix of traditional policing methods, intelligence analysis and research as well as proactive and disruptive tactics to fight Energy Theft.
	Disruptive tactics can include bank account freezing orders, website/social media takedown and organisational/industry learning points to prevent similar crimes occurring.
	Enforcement activity accompanied by police media awareness campaigns to deter future offending.
Enforcement	
Investigate Energy Theft and present evidence to CPS for prosecution	<p>Conduct intelligence led investigations regarding Energy Theft and present evidence for consideration for prosecution to the CPS. Sentencing guidelines for electricity abstraction in England and Wales can be found here to understand possible outcomes for the offenders https://www.sentencingcouncil.org.uk/offences/magistrates-court/item/abstracting-electricity/</p> <p>Gas Theft is included in general theft https://www.sentencingcouncil.org.uk/offences/magistrates-court/item/theft-general/</p> <p>Information on sentencing guidelines in Scotland can be found here. https://www.scottishsentencingcouncil.org.uk/sentencing-information/introduction-to-sentencing</p>
Target organised crime, professional enablers and repeat offenders	Target organised crime, professional enablers who sell their services and repeat offenders. Domestic consumers resorting to Energy Theft for their own needs must continue to be subject to detection and investigation to ensure safety but will not be a priority for the ETU. We will work with industry partners to improve the efficacy of support services and educational material for first time offenders.
	ETU investigations may lead to the discovery of additional suspected Energy Thefts which could be referred back to the relevant Energy Supplier or Network Party for investigation and subsequent referral back to the police once complete or joint investigation where appropriate.
Seizure of Assets & Compensation	Money and assets could be seized under the Proceeds of Crime Act 2002 where relevant.
	As part of sentencing following successful prosecution, a defendant can be ordered to pay compensation for any loss or damage a victim may have experienced as a result of the crime, in this context the Energy Supplier or Network Party would be the victim.
	The defendant can also be ordered to pay a confiscation order which deprives them of the proceeds of their crime and can be used to pay the compensation.
Use of Cease-and-Desist orders and cautions	Where it is not appropriate to conduct a protracted investigation and seek prosecution or the Energy Theft is low level, alternative means to resolve referrals may be used, such as Cease and Desist orders and Cautions and Penalty Notices to deter re-offending.

Appendix 2 – Referral Assessment Service operating model

The target operating model for the RAS needs to include the Referral Mechanism, the Referral information and evidentiary requirements, the Referral assessment and acceptance/rejection process, the organisational structure, performance management, stakeholder engagement, compliance and risk management and the requirement for continuous improvement.

Referral Mechanism	
Accept Energy Theft Referrals via a form/file	Cases that meet the stated criteria can be referred by REC Parties and potentially third parties via a defined form or file sent via a SFTP or dedicated secure messaging facility.
Accept Energy Theft referrals via a new Energy Theft Portal	A multipurpose Energy Theft Portal may be a viable mechanism to transfer referral information.
RAS able to access Energy Theft data portal and the Electricity and Gas Enquiry Services (ESS and GES)	If the RAS is granted access to relevant EES and GES data, as well as any future multipurpose Energy Theft data portal, it may provide insights into whether the referred case is part of a pattern rather than being an isolated incident
Accept referrals to disrupt Energy Theft	A separate streamlined process and form/file to refer online threats such as social media post/groups and websites spreading information on how to commit Energy Theft and advertising of services and devised that facilitate Energy Theft.
Urgent referral process	There will be a process that enables cases that are urgent to be discussed and initially referred over the telephone, this may include where evidence is likely to be lost without immediate police action or imminent risk to public safety.
TDIS submissions	All Energy Theft investigations and outcomes should continue to be submitted to REC by the Energy Supplier as per Schedule 7 independently of any referral made to the RAS.
Referral Information and Evidentiary Requirements	
The information required for the referral is defined.	The format of the referral form/file is designed to enable effective capturing of the required information and highlight gaps where additional information may need further clarification as part of any future investigation or as part of data clarification by the RAS.
The evidence required to be held by the referring party is defined.	The referral should include details on what evidence is available, and the RAS will determine if there is sufficient evidence to proceed or provide feedback on what may be required.
Referral Processing and Assessment	
Referrals reviewed and assessed	Referrals assessed against a scoring matrix to be developed based on the information and evidence stated in the referral and key acceptance criteria.
Unable to determine if referral meets requirements or information missing	The case assessor may contact the referring party and clarify information or request additional

	information if available or establish if critical information is unavailable.
Referral meets requirements and is accepted	The case will be referred onto the ETU who may accept the case or following their review and assessment reject the case and send back to the RAS with reason for rejection and any relevant feedback.
Referral does not meet requirements and rejected	The referral may be rejected by the RAS at this stage or have been referred to the ETU and then rejected. It will be referred back to the reporting party with reason for rejection and relevant feedback.
Referral appeal process	If a referring party believe that the rejection is incorrect there will be an appeal process to escalate and reassess the referral.
Referral decision panel	An expert panel – such as the ETREG will be available to discuss and decide upon case referrals which may be complex or may have criteria outside of the key acceptance criteria but may require escalation. They may also be used as part the referral appeals process.
Organisational Structure	
Case Assessors	We anticipate that the initial RAS set-up will be undertake by existing RECCo staff supported by Theft SMEs, legal and technical advisors. Staff or contractors will be recruited into the RAS commensurate with the volume of referrals, scaling up a staff of around 3 – 5 FTEs as the service matures. This role will be responsible for reviewing and assessing referred cases, liaising with the referring party and the ETU to ensure complete and accurate information and provide feedback when required. They will also record each referral and outcome on a dedicated database or referral management system. They will also facilitate process development and improvement.
Technology and Systems	
Referral Management System	A robust, secure and compliant Referral Management System (RMS) will be required to track and manage referrals from intake to acceptance/rejection and the outcome of any further investigation by the ETU. Subject to the level of security required, this could be based around an off-the-shelf workflow management system. It should also be able to manage legal documentation and compliance checks and safety risk information. This may be a standalone system or be part of a wider Energy Theft data portal.
Compatibility and integration capabilities	The RMS should be suitable for integration either from the outset or as the service develops to other systems and platforms such as any future Energy Theft Data Portal.

Data Analytics	Data and analytical techniques should be utilised to monitor performance, identify trends and support decision making with data driven insights.
Performance Management and Reporting	
Identify Key Performance Indicators (KPIs)	KPIs should be identified to track metrics such as: <ul style="list-style-type: none"> • Number of referrals received. • Number of referrals accepted by RAS. • Number of referrals rejected by RAS. • Number of referrals accepted by RAS but rejected by the ETU. • Number of successful/unsuccessful appeals • Average referral processing time • Longest referral processing time • REC Parties satisfaction score in annual survey
Reporting	Development of regular reporting mechanisms to track performance against KPIs to inform management and stakeholders.
Performance Improvement Plan	Where KPIs are not being met a performance improvement plan should be established and implemented.
Stakeholder Engagement	
Stakeholder Identification	Identify key stakeholders for the RAS, including referral sources, REC Parties, Police, regulatory bodies as well as points of contact for queries on cases referred.
Communication Plan	Develop a communication plan to keep stakeholders informed and engaged in the service as well as keeping referring parties informed and engaged throughout the referral process.
Regular Meetings	Hold regular meetings with REC Parties, Service providers and stakeholder organisations to provide updates on the service and to discuss any concerns.
Continuous Improvement	
Training & Development	Initial and ongoing comprehensive training programs for staff to ensure they are equipped with the necessary skills and knowledge, this includes RAS, RECCo and REC Parties.
Continuous Learning	There should be a culture of continuous learning, encouraging staff to stay updated on best practices and emerging trends, this may include workshops to facilitate this.
Feedback Loops	Establish mechanisms to collect feedback from referring parties, the ETU and Stakeholders to identify areas for improvement. This may include quarterly and annual feedback surveys as well as case reviews.
Process Optimisation	Regularly review and optimise referral and assessment processes to enhance efficiency and effectiveness.
Compliance & Risk Management	

Regulatory Compliance	Ensure the RAS complies with relevant laws and regulations, including data protection and confidentiality requirements.
Risk Management	Risk management strategies should be implemented to identify, assess and mitigate potential risks associated with the referral process.
REC Parties obligations	REC Parties should continue to attend site to address any safety concerns as per their existing obligations regardless of any referral.
Risk Mitigation Workshops	Feed into the development of industry wide safety scoring and reporting linked to Energy Theft cases and premises where staff may be at risk.

Appendix 3 – Referral Assessment Service: requirements and options

Options	Pros	Cons
<p>Option 1 – Provision of the RAS internally by RECCo</p>	<p>An internal RECCo team can initially conduct referral assessments and work with the ETU to develop the role's requirements, scope, and tools.</p> <p>An internal team allows for easier scaling during the initial ETU implementation, based on referral volume and quality.</p> <p>Refining RAS requirements internally could simplify a future transition to an external provider, if needed. As the ETU matures, the RAS could either remain within RECCo or transition to an external service provider.</p>	<p>If the RAS is resourced by permanent staff and then does not receive sufficient case volumes to justify the level of resource, then staff might have to be made redundant after only a short time. NB: it is anticipated that contract staff might be used to mitigate against this issue.</p>
<p>Option 2 – Provision of the RAS externally by a REC Code Manager Function</p>	<p>No impact on RECCo's current 'Procure to Manage' operational approach.</p>	<p>Until the RAS is operational it will be challenging to prescribe the nature of services and volumes of referrals to inform procurement and contract.</p>
<p>Option 3 – Provision of the RAS externally by an external service provider</p>	<p>Aligns with RECCo's current 'Procure to Manage' operational approach.</p>	<p>Until the RAS is operational it will be challenging to prescribe the nature of services and volumes of referrals to inform procurement and contract</p>
<p>Option 4 – Industry Referral Panel</p>	<p>Avoid the cost of a dedicated team</p>	<p>The likely frequency and time requirements needed means and industry panel is unlikely to be feasible. However, such a panel may play a role for appeal or escalation of complex cases.</p>
<p>Option 5 – Do not have a RAS.</p>	<p>No pros have been identified.</p>	<p>The absence of a RAS, able to assess/triage cases for the ETU means that the ETU could be sent low-quality referrals which would be a waste of their time to pursue.</p> <p>The absence of a RAS will reduce the ETU's level of success.</p>

Appendix 4 – Prosecutions & convictions: Abstracting of Electricity

The figures provided in the table below show prosecutions and convictions for ‘Offence 43’ in England and Wales, the Abstracting of Electricity under Section 13 of the Theft Act 1968. The theft of gas is not recorded as a specific offence and no equivalent figures are available.

In the five years 2011 to 2015 there were an average of 404 Abstracting Electricity cases brought.

With effect 1 April 2016 the standard conditions of the Electricity and Gas Supply licences were modified, removing the requirement for suppliers to inspect meters at least once every two years.²⁰ The expectation was that suppliers would instead use a risk-based approach. The removal of the two-yearly inspection obligation appears to correlate with a reduction in the number of prosecutions.

In the six years 2018 to 2023 there were an average of 56 prosecutions a year, an 86% reduction on the period prior to the licence modification.

Table A4.1: Outcomes of offence 0043 – Abstracting Electricity shown by Year – England and Wales (No equivalent offence code for gas theft available in reporting)²¹

Year Ending June	Proceeded against	Convicted	Sentenced	Average custodial sentence length (months)	Average fine for persons (£)	Average fine for companies (£)	Compensation (all disposal)	Average compensation (£)
2011	435	408	432	5.0	£92	£0	158,491	£209
2012	429	433	461	1.8	£78	£0	160,880	£310
2013	393	375	428	2.3	£106	£0	150,980	£170
2014	358	354	370	6.2	£84	£0	150,924	£226
2015	405	361	367	2.4	£94	£0	146,021	£354
2016	264	239	257	3.7	£96	£0	147,632	£221
2017	159	167	186	4.9	£185	£0	186,163	£208
2018	92	90	92	3.2	£142	£0	221,369	£216
2019	69	66	67	0.0	£103	£0	222,855	£239
2020	36	28	29	0.0	£120	£0	174,829	£157
2021	56	46	41	0.0	£158	£0	137,004	£196
2022	28	26	30	3.4	£114	£0	152,555	£198
2023	49	18	18	0.0	£0	£0	220,026	£135

²⁰ [Notification to modify the standard conditions of the electricity supply licence](#). Ofgem, 2 February 2016

²¹ Source: Ministry of Justice figures - www.gov.uk/government/statistics/criminal-justice-system-statistics-quarterly-june-2023