

# *Summary Business Case*

## **Energy Theft Unit Service**

Launching an energy theft unit in collaboration with the City of London Police to combat organised energy theft across Great Britain



## Contents

Executive Summary.....	2
Business Need .....	3
Description .....	4
Expenditure Plan .....	7
Risk Analysis .....	11
Implementation Plan .....	12
Conclusion .....	13

## Executive Summary

### Background

The theft of electricity and gas is a growing concern, costing the energy industry between £457 million and £760 million annually, equivalent to £27 per consumer. It also poses serious safety risks, including electrocutions and fires. Current enforcement is inconsistent due to limited police engagement, creating a need for a specialised response.

### High-Level Objectives

- Establish the **Energy Theft Unit (ETU)** in partnership with the City of London Police to combat organised energy theft.
- Create the Risk Assessment Service (RAS) within the Retail Energy Code Company (RECCo) to triage and improve theft referrals, ensuring high-quality cases for prosecution.
- Reduce financial and operational impacts on the energy industry while enhancing public safety.

### Recommendation

Fund a dedicated ETU at £1.6 million annually and the RAS at £0.32 million annually for an initial three-year commitment. This partnership is projected to yield a net benefit of £12.3 million (CBR: 3.05) through theft reductions and deterrence.

### Further Reading

Read the full [Outline Business Case](#) on the [RECCo website](#).

## **Business Need**

### **Current Situation**

Energy theft is widespread, with more than 800,000 estimated annual cases, but enforcement is hindered by inconsistent reporting, limited police support, and lack of industry coordination. Existing theft detection schemes have only partially addressed this issue.

### **Expected Impact**

ETU and RAS will enhance investigation and enforcement, reduce theft, improve safety, and foster public trust. Key outcomes include reduced consumer costs, stronger deterrence, and increased prosecutions of organised crime groups.

## Description

### Objectives

- Establish a centralised, dedicated ETU to tackle energy theft.
- Create an RAS to triage, assess, and improve referrals to the ETU.
- Enhance public awareness and deter future theft through targeted campaigns.

### Scope

- **In-Scope:** Organised crime, professional enablers, repeat offenders, and large-scale energy theft.
- **Out-of-Scope:** Small-scale theft by vulnerable consumers.

### Value for Money

- With a projected CBR of 3.05, the programme requires minimal theft reduction (0.33%) to break even. A 1% reduction yields £12.3 million in benefits over three years.

### Deliverables & Outputs

- Fully operational ETU and RAS by Q3 2025/26.
- Annual reporting on Key Performance Indicators, including referral quality and successful prosecutions.
- Public awareness campaigns to increase deterrence.

### Benefits & Outcomes

- **Financial:** Reduced consumer costs and recovered theft-related revenue.
- **Safety:** Decreased incidents of electrocution and fires.
- **Strategic:** Strengthened public trust and industry collaboration.

### Options

- **Do Nothing:** No cost but fails to meet strategic goals.
- **ETU Without RAS:** Limited impact due to poor-quality referrals.
- **ETU With RAS (Preferred):** Comprehensive enforcement model.

## Stakeholder Engagement

### Past Engagement Opportunities

- **Workshops & Stakeholder Feedback (November 2022)**
  - Key stakeholders participated in workshops to evaluate the scale of energy theft and develop the Energy Theft Reduction Strategy.
  - Focused on increasing awareness of risks and creating impactful actions.
- **Energy Theft Forums & Expert Group Discussions (2023)**
  - Forums brought together industry representatives and stakeholders to discuss theft challenges, enforcement limitations, and proposed solutions.
  - Stakeholders emphasised the need for improved police engagement and enforcement consistency.
- **Strategic Outline Case Consultation (May 2024)**
  - RECCo engaged stakeholders during the development of the Strategic Outline Case.
  - Stakeholders included energy suppliers, regulatory bodies, consumer representatives, and law enforcement agencies.
  - Focused on identifying the challenges of energy theft and gathering feedback on potential solutions.
- **Collaboration With City of London Police**
  - Ongoing discussions to explore the feasibility of establishing a dedicated ETU.
  - Aligned roles, responsibilities, and the framework for collaboration.
- **Outline Business Case Consultation (November to December 2024)**
  - RECCo pursued stakeholder responses to the Outline Business Case by December 2024.
  - Feedback topics included the justification for the ETU and RAS, cost-benefit analysis, risks, and proposed REC changes.

## Future Engagement Opportunities

- **Develop Final Business Case (Early 2025)**
  - Invite stakeholders to provide feedback on the Final Business Case and accompanying REC Change Proposals.
- **Propose Forward Work Plan & REC Changes (January 2025)**
  - Integrate the ETU and RAS into the 2025-28 Forward Work Plan.
  - Formalise stakeholder obligations and the scope of the ETU and RAS through the REC Change Proposals.
- **Establish Operational Feedback Loops (Post-Implementation 2025+)**
  - Continuously engage stakeholders through quarterly and annual reviews.
  - Feedback on ETU and RAS performance to refine processes and enhance effectiveness.

The ETU and RAS project has incorporated significant past stakeholder engagement to shape its design and ensure alignment with industry needs. The outlined future opportunities will ensure continued stakeholder involvement, transparency, and iterative improvements to maximise the initiative's effectiveness.

## Expenditure Plan

### Budget Breakdown by Financial Year (FY)

The budget breakdown for the ETU and RAS is based on the provided document.

Cost Component	£m				
	2024/25	2025/26	2026/27	2027/28	2028/29
ETU (Staffing & Operations)	0.00	0.80	1.60	1.60	0.80
RAS (Team Staffing)	0.00	0.16	0.32	0.32	0.16
Referral Management IT System	0.05	0.02	0.02	0.02	0.02
Support Team (Mobilisation)	0.06	0.16	0.00	0.00	0.00
Value-for-Money Review	0.00	0.00	0.00	0.05	0.00
Annual Total	0.11	1.25	1.94	1.99	0.98

### Supporting Assumptions for Cost Estimates

- **ETU Costs**
  - An annual cost of £1.6m for full operations, with £0.8m allocated to the first year (2025/26) as the part-year setup.
  - Costs include staffing, investigative resources, and operational expenses.
- **RAS Costs**
  - RAS staffing starts at 50% capacity (£0.16m in 2025/26) and scales up to full staffing (£0.32m per year from 2026/27 onward).
  - Primarily comprises contractor and staff salaries.

- **IT System Costs**
  - Initial set-up cost of £50k (2024/25) for a Referral Management System.
  - Annual support and maintenance costs of £20k from 2025/26 onward.
- **Support Team Costs**
  - £60k for Subject Matter Experts (SMEs), legal, and technical support during the 2024/25 set-up, and a further £160k for 2025-26.
- **Value-for-Money Review**
  - £50k in 2027/28 to assess the extension or termination of services beyond the initial three years.
- **Contingency**
  - No additional contingency as the overall REC budget includes a 3.7% allowance.

## Cost-Benefit Analysis (CBA)

The economic case evaluates the benefits of reducing energy theft compared to the £6m cost of the ETU and RAS over three years.

### Assumptions for Benefits

- **Baseline Annual Theft**
  - Energy theft is estimated at £609m/year (mid-range figure from theft estimate methodology).
- **Break-Even Point**
  - Theft reduction is needed to achieve a cost-benefit ratio (CBR) > 1: **0.33%**.
  - Equivalent to recovering approximately £2m/year.
- **Potential Benefits**
  - **1% Reduction in Theft:** Generates £12.3m net benefit over three years (CBR: 3.05).
  - **5% Reduction in Theft:** Generates £85.35m net benefit (CBR: 15.23).
- **Deterrence Impact**
  - Deterring 292 theft cases annually (0.109% of new cases) would cover the scheme's annual cost.
- **Safety & Societal Benefits**
  - An estimated 280 annual serious incidents occur from energy theft; a 5% reduction could prevent 14 incidents/per year.

### Combined Impacts (3-Year Period)

Impact Area	£m		
	5% Reduction	1% Reduction	0.1% Reduction
Direct Theft Reduction	91.35	18.27	1.83
Indirect Theft Deterrence	91.35	18.27	1.83
Safety Benefits (Serious Incidents Prevented)	13.02	2.48	0.31
<b>Net Benefit</b>	176.70	30.54	-2.35
<b>CBR</b>	30.45	6.09	0.61

## Risk Analysis

Key Risk	Mitigations
Insufficient Referrals	<ul style="list-style-type: none"> <li>• Clear referral standards and industry engagement</li> <li>• RAS to work with Parties in lead up to go live to collate and prepare active cases</li> </ul>
Delayed ETU Recruitment	<ul style="list-style-type: none"> <li>• Phased implementation of ETU resources, with referrals being scaled to match resource availability</li> </ul>
Public Perception as a Revenue-Driven Initiative	<ul style="list-style-type: none"> <li>• Transparent communication about the Energy Theft Reduction Strategy's focus on safety</li> <li>• Transparent communication about the ETU's focus on organised crime and the protection of vulnerable consumers</li> </ul>

## Implementation Plan

<b>Timeline</b>	<b>Q2 2025/26:</b> RAS mobilisation <b>Q3 2025/26:</b> ETU operational
<b>Resources</b>	RAS Staff: RECCo, scaling from contractors to permanent roles ETU Staff: City of London Police
<b>Roles &amp; Responsibilities</b>	RECCo: Overall programme governance RAS: Referral triage and case preparation ETU: Investigation and enforcement

## Conclusion

The ETU and RAS provide a strategic, cost-effective solution to the persistent issue of energy theft. They offer significant benefits in safety, cost reduction, and public trust. Approval and funding of this initiative are recommended

# Contact Us



[www.retailenergycode.co.uk](http://www.retailenergycode.co.uk)



[info@retailenergycode.co.uk](mailto:info@retailenergycode.co.uk)



[the-retail-energy-code-company](https://www.linkedin.com/company/the-retail-energy-code-company)



**Retail Energy Code Company Ltd**  
**27 Old Gloucester Street**  
**London, WC1N 3AX**