

# A MINING FRAMEWORK TO DETECT NON-TECHNICAL LOSSES IN POWER UTILITIES

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**Abstract:** This paper deals with the characterization of customers in power companies in order to detect consumption Non-Technical Losses (NTL). A new framework is presented, to find relevant knowledge about the particular characteristics of the electric power customers. The authors use two innovative statistical estimators to weigh variability and trend of the customer consumption. The final classification model is presented by a rule set, based on discovering association rules in the data. The work is illustrated by a case study considering a real data base.

## 1 INTRODUCTION

In the electricity sector, non-technical losses (NTL) of the utility are all of losses except the technical losses (result of the effect of the power dissipation in the electrical network components such as transmission lines, power transformers, measurements systems, etc.). For the electrical distribution business, minimizing NTL is a very important activity because it has a high impact in the company profits. Normally, we will refer in this paper as fraud detection but we could strictly talk about NTL. In Spain, the percent of fraud in terms of energy with respect to the total NTLs round about 35%-45%.

Not too many authors offer an estimation about these losses. Yap et al (K.S.Yap et al., 2007) estimate distribution losses as 15%, in Sabah State, Malaysia. J.R. Filho et al, (Filho and als, 2004) expose a fraud identification per number of in-situ inspection percentage as low as 5%, in Brasil. This rate varies about 5%-10%, according J.E. Cabral et al (Cabral et al., 2004) (Cabral et al., 2006).

The goal of this research is to significantly improve the inspection success and the profitability rate, highly dependent of the cluster of customers researched, i.e, of the set of features that made the cluster and the class of customers researched (domestic customers, medium or high consumption cus-

tomers, ...). The main difficulty is the low rate of NTL's in the Power Companies (Cabral et al., 2006). Besides, in the companies and/or areas with very low percentages of losses, from 1% to 2%, it is inefficient policy to reduce these losses if the companies do not identify them by some way. The enormous cost of inspecting in-situ many customers does not compensate the return of the energy recovered in a few of them. That's why Endesa is investing in this research, exploiting its databases to identify customers with non invoiced energy in a profitable way. So the number of inspections is reduced only to a small group of customers identified as *anomalous*, with an energy consumption *suspicious* of being different of the amount invoiced, because some company error or customer fraud. As seen below, potential anomalous high consumption customers can be identified by: abrupt and negative changes in their historical consumption pattern (a 30% drop, for example, as see in (Cabral et al., 2008)), changes in the consumption pattern compared with changes to the other consumers from the same cluster at the same time (changes detected in the variability on electric consumption (Biscarri et al., 2008)) and others non-obvious features, as previous fraudulent activities or anomalous and unstable power factor (Sforna, 2000).

Many researches have been published, from the 90s to the present day, about our main research topic:

"NTL detection in electricity consumers", and specifically "fraud detection in electricity consumers".

In 1998, J.R. Galván et al (Galván et al., 1998) presented a methodology to guide inspection campaigns by the characterisation of the temporal evolution of consumption features of the customers. They used a non supervised classification method: the study of a probability density function (pdf) estimator on some electrical features. Not result of real inspections after the study are done.

In 2000, M. Sforza (Sforza, 2000) reported a data mining system based on the application of statistics to aggregate values, calculate new meaningful variables and the application of a self-organizing Kohonen map of customers behavior patterns. Results are summarized in terms of automatic identification of anomalous consumption values, according the hours of usage of the contracted active demand, reactive demand or monthly power factor.

In 2002, R. Jiang et al (Jiang et al., 2002) proposed an analysis to identify fraud in Australian electricity distribution networks using wavelet techniques and combining multiple classifiers. They exposed that the classification accuracy reached 70% on the testing data set, with a high number of data profiles (about 1200) and using a relative small amount of data.

In 2004, J. Reis et al (Filho and als, 2004) used a decision tree and a database composed by 5 monthly features, with customers that had undergone inspection in the last year, classified into normal, fraud or faulty equipment. They expounded a 40% right fraud classification rate.

In 2004 and 2006, José E. Cabral et al (Cabral et al., 2004) (Cabral et al., 2006) proposed an application that used rough sets to classify categorical attributes values in order to detect fraud of electrical energy consumers. The system reached a fraud rightness rate of around 20%.

In 2008, José E. Cabral and Joao P. Pinto (Cabral et al., 2008) have studied high voltage consumers using Self-Organizing Maps (SOM) and a 15 minutes consumption period sample. They are still waiting confirmation of suspicions effectively confirmed as fraud for the real inspection in-situ.

And at last, authors of this paper have presented a work highlighting the importance of the variability of the customer consumption in NTLs detection in power utility companies (Biscarri et al., 2008). A lodging sector customers example are shown, with 35 customers proposed to be inspected 'in-situ' by the automatic detection system, 15 of them inspected by the Endesa staff and 8 of these 15 classified as 'anomalous', fraudulent or with faulty measuring equipment.

## 2 Customer Characterization

The proposed study process structure is fragmented into different steps with different degrees of complexity and different periods of time.

### 2.1 Data Selection

The customers selected for the mining process have been chosen based on the following feature characterization:

- Period of time of recorded invoices: We use monthly and bimonthly invoices belonging to the sample of customers. Hourly or daily data are not available.
- Geographical localization: All customers are located in a Spanish region.
- Contractual power: All customers belong to price code 4.0 and price code 3.0.2. These codes mean these customers consume more than 15 KW during more than 8 hours per day.
- Economic Activity Classification (CNAE). Some economic sectors historically present a high rate of NTLs. The research is centered in these sectors.
- Consumption range. At first, the target of research is to cover the greater range of electrical consumption as possible. But customers can only be compared, or studied together, if they have a similar range of consumption. The solution of the problem is to divide the full consumption range into subsets, obtaining subsamples of customers with similar characteristics. Each of these subsamples will be studied independently. For the purpose of this work, the continuous value of the customer consumption is sectioned in 10 bins.
- History of customer inspection. Methods used in NTLs detection can be mainly classified into supervised and unsupervised methods. Unsupervised approach allows the discovery of natural patterns in data, detected or not detected before. For this reason, initially of our research, we have used an unsupervised approach, based on Kohonen Maps and the statistical outlier detection as a classification methods. But the verification of the results have been really expensive and time consuming. In order to obtain a statistic of the NTLs right classified rate, all the suspected customers should be inspected 'in situ' by the Endesa staff. The results can be interpreted in a very biased way, because often it is not possible to check all the clusters discovered several times. The improvement of the methodology was highly depending of the success of this inspections.

The supervised approach is an interesting working method if we have a very large database to cover many of the NTL cases. The results can be quickly and systematically checked. And, as we have said, we can concentrate our efforts toward cluster of customers with a high rate of historical NTLs.

## 2.2 Data Preprocessing

With respect to data cleaning, the authors avoid rejecting any data from a set. However, customers with less than 6 monthly register per year were eliminated and also customers who had negative values on consumption attributes. On the other hand, reflection exercise about lecture consumption data and billed consumption data are necessary. Normally, the consumption billed is the result of consumption read, but it is not always true. If the company has no access to read the data, and there is no doubt of a consumption has been made, company experts estimate the actual consumption, based on the recent historical consumption. Several and continuous differences between read data and billed data show abnormal behavior. The study and the use of statistical estimator based on read data is a new contribution of this paper regarding works cited in the bibliographical review. In this sense, a filling up of missing values has been performed.

## 2.3 Data Mining Techniques. Descriptive Data Mining

We describe three descriptive techniques: one based on the variability of customer consumption, another based on the consumption trend and a third one that summarizes other feature contributions to NTL detection.

### 2.3.1 The Variability Analysis

We propose in this section an algorithm that emphasizes customers with a high variability of monthly consumption respect to other customers of similar characteristics.

The classic approach to the study of the variability classifies data in 'normal data' and outliers. Outliers, with regard to consumption feature, can be caused by measurement error or by fraud in customer consumption. But, alternatively, outliers may be the result of inherent data variability. Thus, outliers detection and analysis is an interesting data mining task. The main objective is the estimation of the variance data (or the standard deviation estimation, STD), from a sample.

The research presented in this paper present three main differences regarding the classic approach:

1. The estimation of the STD, main task of the variability analysis, is performed in a non classical way. We use a preprocessed sample in which there are no interactions present between time and space. The temporary component and the local geographical location component have been filtered.
2. Consumptions for a group of customers are compared against their group signature to determine if the behavior of an individual customer is anomalous. In classic research, new consumption for a customer is compared against their individual signature to determine if the user's behavior has changed.
3. The classic approach classifies data into 'normal data' and outliers. In order to classify data, a *center line* (CL), the average of the STDs, is estimated. Also an *upper control limit* (UCL) and a *lower control limit* (LCL) are estimated. In classical way, thresholds of STD (LCL and UCL) are estimated by the mean of STD multiplied by a constant (usually, 1.96 is used, corresponding to a level of significance  $\sigma = 0.05$ ). Data outside control limits are classified as outliers. We don't use the estimated STD to obtain outliers and directly propose them to be inspected by the Endesa staff. We do not establish any control limits. We simply add to each customer a new feature, referred to the estimated *STD*, that will be used as an input for a supervised detection method, showed in the *Predictive Data Mining* Section.

The sample is previously divided in 10 bins according the yearly consumption feature. Each bin will be studied independently. Once the  $STD_{\Delta_i}$  is estimated (the standard deviation associate with each customer with regard to the rest of customers and without inherent variability), the following variability estimator is defined:

$$ES\_variability_l = \frac{STD_{\Delta_l} - CL_l}{CL_l}$$

Where  $ES\_variability$  is a new customer estimated feature, dependent of the customer,  $l$ , and also depend of his the yearly consumption bin,  $i$ .  $CL_i$  is the *center line* referring to bin  $i$ .

To maintain the shape of the variability diagrams and compare the diagrams among them, in consumption pattern terms, each diagram can be normalized. We use the CL of each bin ( $CL_i$ ) to normalize the sample. Figure 1 shows the evolution of this estimator through the whole sample studied, through all bins.

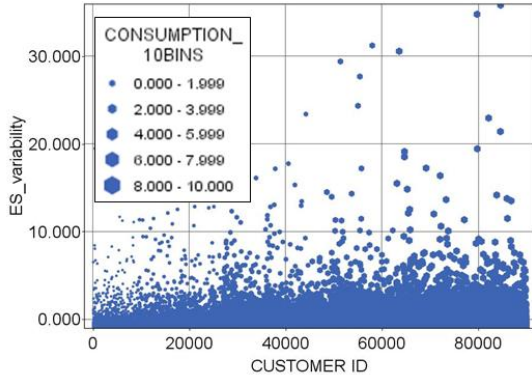


Figure 1: 10-BINS ES\_variability

The advantages of the proposed algorithm with respect to recent studies are:

- The elimination (or, at least, reduction) of the temporary component and the local geographical location component of the customer consumption.
- The study of the comparative consumption among clients of similar characteristics.
- The use of the  $STD_{\Delta_t}$  estimated as an input to a classification model.

### 2.3.2 The Consumption Trend. A Streak Based Algorithm

Streaks of past outcomes (or measurements), for example of gains or losses in the stocks market, are one source of information for a decision maker trying to predict the next outcome (or measurement) in the series. The discovery of the theoretical consumption model is not the target of this paper. This model is strongly dependent of the cluster of customers considered and highly changeable amongst different clusters. But it is very interesting the study of the individual trend consumption and also the comparative among trends of customer with similar characteristics.

There are several ways to measure this feature. We show a simple and useful algorithm, based on the six-month lagging moving average of customer consumption, described subsequently:

1. The input data are, for each customer from each cluster, 24 monthly consumptions, billed data. The cluster characterization is described in the *Data Selection* Section of this paper.
2. We calculated the six-month simple moving average, for each customer consumption.
3. We counted how many times the consumption line is over the mean line (positive streaks,  $po_s$ ) and

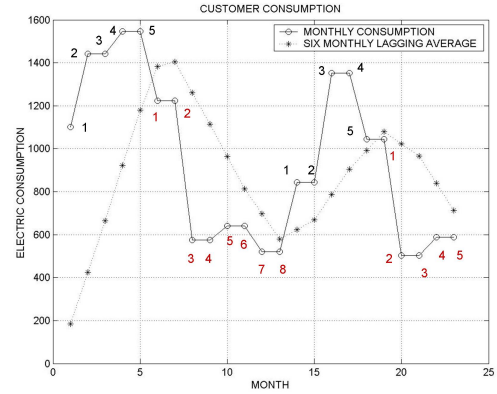


Figure 2: Consumption Trend. Customer with long and few streaks

how many times the consumption line was below the mean line (negative streaks,  $ne_s$ ). The whole number of streaks is

$$Ns = po_s + ne_s.$$

The proposed algorithm does not distinguish positive from negative streaks. It simply counts its. Also the number of measurements in each streak ( $n_j$ ) is registered. The number of streaks for each customer offers interesting information about their consumption behavior but it is also interesting to know the weight of each streak.

4. Finally, we sum up all the information in one quadratic estimator:

$$ES\_streak_l = \frac{\sqrt{\sum_{t=1}^{Ns} (n_t)^2}}{Ns}$$

Where  $l$  is the customer identifier,  $Ns$  is the number of streaks of this customer and  $n_t$  is the number of measurements of the streak  $t$ .

Figure 2 shows the consumption behavior of a particular customer ( $Ns = 4$ ). The number of measurements in each streak are also counted ( $n_1 = 5$ ,  $n_2 = 8$ ,  $n_3 = 5$  and  $n_4 = 5$ ).  $ES\_streak_l = \frac{\sqrt{5^2+8^2+5^2+5^2}}{4} = 0.90$ . The estimator summarizes and models the trend behavior.

### 2.3.3 Other Features

There are some feature levels or some feature relations quite serious with reference to NTLs detection. We describe some of them used in our framework:

- The hours of consumption at maximum contracted power (HMP). It is the rate between the contracted power (CP) and the daily consumption (DC). For example, if CP=15 KW and DC=150KWh then HMP=10 hours.
- Minimum and maximum values of consumption in different time zones of the day. In some tariffs, the day is divided into different time zones with different rates. Our sample is divided into three zones: cheap (zone 1), normal (zone 2), expensive (zone 3). Suspect fraudulent customers have relatively very low consumption in normal and expensive time zones.
- The number of valid consumption lectures (NL). Usually, when there is not a valid lecture value and the company is sure that consumption existed, the consumption is estimated and billed.

## 2.4 Data Mining Techniques. Predictive Data Mining

The major goal of the predictive module is the inference of a rule set to characterize each of two following classes: 'normal' customer or 'anomalous' customer. We characterized each consumer by means of the attributes described in the last section.

The predictive (or classification) model uses supervised learning. Main attributes in NTL detection are:

- *ES\_variability*: The proposed variability estimator, calculated from invoices (*ES\_variability\_i*) or from lectures (*ES\_variability\_l*).
- *ES\_streak\_i*: The proposed consumption trend estimator, calculated from invoices (*ES\_streak\_i*) or from lectures (*ES\_streak\_l*).
- *HMP\_i*: The hours of consumption at maximum contracted power, to refer to the time zone  $i$  ( $i = \{1, 2, 3\}$ ).
- *Maximum\_i*: The maximum value of consumption, in KWH, in time zone  $i$  ( $i = \{1, 2, 3\}$ ).
- *Minimum\_i*: The minimum value of consumption, in KWH, in time zone  $i$  ( $i = \{1, 2, 3\}$ ).
- *NL*: The number of valid consumption lectures in the period of study ( $NL = \{1, 2, \dots, 24\}$ ).

A feature named 'suspect' are added. if 'suspect'=1, the customer had a non technical loss during the period of study. We should clarify that our experiment refers to real cases, including more than 10000 customers, and the available database has a significant limitation: although 'suspect'=0, it is possible that the customer had a non detected NTL. As often

Table 1: Description of the Rules.

Model	Rule	Description
GRI	R1	ES_variability_i>0.95 and ES_streak_l>2.13 and HMP_1>0 and NL<12 and Maximum_3>490
GRI	R2	Maximum_2>63400 and Minimum_3<2400

Table 2: Rule Set for NTL Detection.

IF CUSTOMERS $\in$ (SAMPLE1 $\cap$ R1) THEN 'SUSPECT'
IF CUSTOMERS $\in$ (SAMPLE1 $\cap$ (R1 $\cup$ R2)) THEN 'SUSPECT'

occurs in power companies, it is not very realistic to assume that all the customers from a large sample are inspected.

The classification algorithm use the Generalized Rule Induction (GRI) model. The GRI model discovers association rules in the data. The advantage of association rule algorithm over the more standard decision tree algorithms is that associations can exist between *any* of the attributes. A decision tree algorithm GRI extracts rules with the highest information content based on an index that takes both the generality (support) and accuracy (confidence) of rules into account. GRI can handle numeric and categorical inputs, but the target must be categorical: 'suspect' $\in$  {0;1}.

Table 1 shows the description of the obtained rules. Table 2 shows the application of the rule set.

The structure of this classification module is the following: the full sample studied is composed by 10279 customers, 188 of them with detected NTL in the period of study (feature 'suspect'=1) and 10091 'normal' or not detected, with 'suspect'=0. First, Rule 1 applies to 102 customers, 78 of them classified with 'suspect'=0 and 24 with 'suspect'=1. Customers included in Rule 1 are removed to the rest of the sample.

The remaining sample is made up of from 10177 customers, 164 of them with detected NTLs in the period of study (feature 'suspect'=1) and 10013 with 'suspect'=0. Rule 2 applies to 117 customers, 103 of them classified as 'suspect'=0 and 14 with 'suspect'=1.

The test of the set of rules generates four values, according to the following classifications (Cabral et al., 2006):

- True positives (TP): quantity of test registers correctly classified as fraudulent.
- False positives (FP): quantity of test registers

Table 3: Test of the Set of Rules.

Rule	Support	Confidence	TP	FP
R1	1.0%	23.5%	24	78
R1∪R2	2.1%	17.3%	38	181

falsely classified as fraudulent.

Table 3 summarizes the described test and adds support and confidence data.

The model evaluation is performed using ten-fold cross validation (Witthen and Frank, 2000). This kind of evaluation was selected to train the algorithms using the entire data set and obtain a more precise model. This will increase the computational effort but improves the model's capacity for generating different data sets. The evaluation is performed by splitting the initial sample in 10 sub-samples in order to fill consumption range. The model is trained using 9/10 of the data set and tested with the 1/10 left. This is performed 10 times on different training sets and finally the ten estimated errors are averaged to yield an overall error estimate. The overall accuracy obtained is around 80%.

### 3 Conclusion

This classification results can be interpreted in a practical way. This classification can be used to assign new customers to existing classes and/or to inspect customers that had not been previously inspected but that belong to a class with a high rate of historical NTL. In this last sense, Endesa staff action is required.

The Endesa staff, due to the extremely high cost of the in-situ inspection for this class of customers, usually only revises and inspects small samples (a hundred or so medium-high consumption customers). The quality of this framework is illustrated by a case study that uses a real database. Only 188 of 10279 customers (less than 2%) of the selected registers for mining present results of NTLs inspect. Regardless of the difficulty to study real data instead of simulated data, rate of correct fraud identification (about 20%) significantly improved previous company detection campaigns, referring to medium-high consumption customers.

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