

Decision on supplier reporting to Ofgem during the smart meter rollout

Final decision

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Overview:

Gas and electricity suppliers are required by their licence to roll out smart meters to all their domestic and smaller non-domestic consumers by the end of 2020. Our role is to make sure consumers remain protected during the rollout and to monitor, and if needed enforce, suppliers' compliance with the associated obligations.

In this document we set out our decisions on supplier reporting to us during the rollout. These decisions are the result of our July 2013 consultation on rollout plans and annual milestones and our April 2014 open letter on the wider data we propose to collect to monitor suppliers' rollout activities.

Context

Since April 2011, the Department of Energy and Climate Change has been directly responsible for managing the implementation phase of the Smart Metering Programme. We have been engaging with the government by providing independent regulatory advice, to help ensure that changes to the regulatory framework are managed efficiently and effectively, and to make sure the new rules operate in the interests of consumers.

We are responsible for regulating the new framework. Part of this involves monitoring and, where appropriate, enforcing compliance with smart meter regulatory obligations.

Associated documents

April 2014 open letter: Monitoring suppliers' smart meter roll-out activities

<https://www.ofgem.gov.uk/ofgem-publications/87411/monitoringconsultation240414final.pdf>

July 2013 consultation: Supplier reporting to Ofgem during the smart meter roll-out

<https://www.ofgem.gov.uk/ofgem-publications/82551/20130730supplierreportingtoofgemduringthesmartmeterroll-out.pdf>

DECC May 2013 Smart Meters Programme Delivery Plan

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197794/smart_meters_programme.pdf

DECC December 2012 decision and final licence conditions

<https://www.gov.uk/government/consultations/information-requirements-for-monitoring-and-evaluation-of-smart-meters>

Ofgem June 2012 open letter

http://www.ofgem.gov.uk/Markets/sm/metering/sm/Documents1/Smart%20Meter%20Roll%20Out_Open%20letter%20June%202012.pdf

DECC May 2012 consultation and draft licence conditions

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/43119/5454-strategy-cons-smart-meters-monitor-eval.pdf

Ofgem response to DECC May 2012 consultation

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=46&refer=Markets/sm/metering/sm>

March 2011 Response to Prospectus Consultation

<https://www.gov.uk/government/consultations/delivering-smart-meters-to-homes-and-businesses>

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Executive summary

In July 2013 we consulted on our approach to supplier reporting during the smart meter rollout.¹ We refer to this as our “annual milestones monitoring”.

In April 2014 we issued an open letter outlining the wider data we propose to collect to monitor rollout activities.² We refer to this as our “wider rollout monitoring”.

This documents sets out our decisions on both of these documents.

Annual milestones monitoring

We are committed to ensuring consumers enjoy the benefits from smart metering as early as possible. Annual milestones monitoring is a key element of our approach to securing supplier compliance with their obligation to roll out smart meters and to ensure they take appropriate steps to meet the commitments they set themselves in the period to 2020.

In developing our approach, we have learned lessons from the disappointing results from suppliers in the rollout of advanced meters to larger non-domestic customers. Although we have yet to make a judgement on whether suppliers took all reasonable steps to comply with the advanced meter obligation, we note the need for suppliers to start their rollout in good time and to allow sufficient time to learn lessons as they execute the rollout. In considering whether suppliers are meeting their obligations to take all reasonable steps to roll out smart meters, we will take account of the actions they are taking today to prepare for and to roll out smart meters.

Respondents broadly agreed with the approach set out in our July 2013 consultation and we have made few changes to the structure. However, we have made some changes to the level of detail required, and the timings for submitting plans. Below we summarise our approach.

Rollout plans – large suppliers

In January 2016, large suppliers will be required to submit rollout plans that contain annual milestones. These annual milestones will be the percentage of domestic and smaller non-domestic meter points in the licensee’s portfolio that will have a smart meter by the end of any given year. We will be able to take enforcement action where suppliers have not met these milestones.

To provide flexibility and encourage suppliers to set challenging annual milestones we’ll consider large suppliers to have achieved an annual milestone if they reach at least 90% of it in 2016 and 2017 and at least 95% of it in 2018 and 2019. Large

¹ [July 2013 consultation: Supplier reporting to Ofgem during the smart meter roll-out](#), Ofgem 2013

² [April 2014 open letter: Monitoring suppliers’ smart meter roll-out activities](#), Ofgem 2014

suppliers will be able to resubmit their rollout plans in January 2017 and 2018. We will consider other requests to resubmit plans on a case-by-case basis. We expect that large suppliers will update their plans to reflect on lessons learned as they execute the rollout.

To prepare for the submission of enforceable rollout plans, and to provide assurance on the preparations suppliers are making today for the rollout, we will require large suppliers to submit a “dry-run” of rollout plans in January 2015. Through this exercise, we will be able identify how large suppliers have accounted for the non-exhaustive points made in our August 2014 open letter on suppliers advance meter rollout performance. We will expect suppliers to take actions to improve their plans based on any feedback we give during this process.

In August 2015 large suppliers will submit a draft of their first enforceable rollout plan for 2016. We will examine the plans and provide comments. Large suppliers will be required to provide a final - binding- version of the rollout plan in January 2016. By having the August 2015 initial submission, we will be better placed to quickly determine where plans submitted in January 2016 are not duly justified.

All rollout plans will have three sections: strategic approach, annual milestones and a narrative duly justifying their milestones.

We will issue large suppliers with specific questions to answer when duly justifying their annual milestones and accompanying rollout plan. We will hold a workshop to discuss these questions. If large suppliers do not provide us with duly justified plans, then we will require them to resubmit a revised plan. This will be without prejudice to any decision regarding enforcement action for not submitting a duly justified plan in accordance with the provisions of their licence.

If a supplier doesn't meet an annual milestone in its binding rollout plan within the permitted tolerance or beyond that the 2020 rollout obligation, in assessing their compliance we will look at a supplier's readiness for the main installation stage of the rollout. This may include information submitted through the dry-run or any subsequent process. Starting too late or lack of preparedness, for example not procuring appropriate metering equipment (both the first generation and second generation of meters – known as SMETS1 and SMETS2 meters) in a timely manner will not be an excuse for missing annual milestones or the 2020 rollout obligation.

Progress reports – large suppliers

Each January from 2017 to 2020 large suppliers must submit a progress report. This will contain two sections: progress against the annual milestone and a narrative section. Suppliers will submit a dry run of the progress report in January 2016.

Monitoring small suppliers

Currently we are not planning to direct small suppliers to submit rollout plans. Instead we will request suppliers to voluntarily provide rollout plans in January 2015. We will use information gathering powers to require small suppliers to submit rollout plans in January 2016. The plans will be in a format similar to that requested from

large suppliers, but with less detail. Information provided through this request will not constitute binding and enforceable annual milestones; however the general obligation to roll out smart meters by 2020 is enforceable. We would expect to engage with small suppliers on their submissions.

Wider rollout monitoring

To monitor large suppliers' rollout activities more broadly, we will collect data on the number of:

1. domestic premises in which the supplier installed a smart meter (and number that the supplier provided an in home display (IHD))
2. Priority Services Register customers premises in which the supplier installed a smart meter (and number that the supplier provided an IHD)
3. IHDs reported faulty within one year of the smart meter installation and how many the supplier replaced at no cost
4. customers premises with a traditional pre-payment meter in which the supplier installed a smart meter in pre-payment mode
5. customers who have a smart meter installed, by postcode district
6. non-domestic customers premises in which the supplier installed a smart meter (and number that the supplier provided an IHD)
7. non-domestic customers' premises in which the supplier installed an advanced meter (and number that the supplier provided an electronic measuring device).

We do not propose to collect any of the above data from small suppliers.

Next steps

We will hold a workshop in autumn 2014 to discuss the exact phrasing and form to be used when requesting both sets of information from suppliers. We expect to request the information late in 2014, with suppliers providing it in January 2015. Wherever possible, we will align our timings and the phrasing of any questions with those used by the Department of Energy and Climate Change. However, there are certain legal constraints in relation to the sharing of information outside of Ofgem which may result in suppliers providing similar (or the same) information to both parties.

1. Introduction

Background

1.1. Gas and electricity suppliers are required to install smart meters³ for all domestic and smaller non-domestic consumers by the end of 2020. We regulate this framework. An important part of this role is monitoring and, where appropriate, enforcing compliance with new regulatory obligations set by the government.

1.2. A practical and effective strategy for receiving and monitoring suppliers' plans and progress will help to identify and address problems early on, and minimise any harm to consumers.

1.3. The gas and electricity supply licences give us powers to monitor suppliers' progress with the rollout.⁴ Through these conditions, we can mandate suppliers to submit to us rollout plans containing binding annual milestones, and to submit a progress report detailing their progress against them. This will enable us to undertake compliance – and enforcement – action, as necessary in the period before 2020 in relation to the rollout of smart meters.

1.4. These licence conditions give us power to obtain information from suppliers to assist with monitoring the smart meter rollout. This includes the discretion to:

- ask for rollout plans, specifying their content and timetable for submission
- request information on how prepared the licensee is and what steps it has taken to install smart meters.

This document

1.5. In July 2013 we consulted on how we will ask suppliers to provide rollout plans, with enforceable milestones, during the smart meter rollout.⁵ In April 2014 we issued an open letter⁶ setting out the initial data we propose to collect from suppliers on their rollout activities.

³ A meter which, in addition to traditional functionality (measuring and registering the amount of energy which passes through it) is capable of providing additional functionality, for example two way communication allowing it to transmit meter reads and receive data remotely. It must also comply with the technical specification set out in the supply licences.

⁴ Licence condition 38 of the gas supply licence and 44 of the electricity supply licence

⁵ [Supplier reporting to Ofgem during the smart meter roll-out](#), Ofgem 2013.

⁶ [Monitoring suppliers' smart meter roll-out activities](#), Ofgem 2014.



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1.6. This document summarises the responses we received to our July 2013 consultation⁷ and our April 2014 open letter.⁸ It also explains our views on the issues raised.

1.7. In this document 'large supplier' is a supplier that, together with its affiliates, supplies 250,000 or more:

- gas customers; or
- electricity customers; or
- dual fuel customers.

If a supplier has 250,000 or more gas customers but fewer than 250,000 electricity customers they would be required to submit a rollout plan for their gas customers only. 'Small suppliers' mean all other suppliers.

⁷ Non confidential responses can be found here: <https://www.ofgem.gov.uk/publications-and-updates/supplier-reporting-ofgem-during-smart-meter-roll-out>

⁸ Non confidential responses can be found here: <https://www.ofgem.gov.uk/publications-and-updates/monitoring-suppliers%E2%80%99-smart-meter-roll-out-activities-0>

2. Response to our annual milestones monitoring consultation

Chapter summary

Summary of the responses to our annual milestones monitoring consultation and our decisions.

The broad structure of rollout plans and progress reports remains largely unchanged, but we will require suppliers to provide more information compared to the position we consulted on. We have made some changes to the processes and timings for submitting plans. This affects both large and small suppliers.

2.1. Throughout this chapter, when discussing large suppliers, the definitions of 'annual milestone', 'rollout plan' and 'progress report' contained in licence condition 44 of the electricity supply licence and 38 of the gas supply licence apply. In summary:

- **Annual milestone:** the percentage of domestic and smaller non-domestic premises in the supplier's portfolio that will be installed with a smart meter by the end of any given year.
- **Rollout plan:** a document that contains the suppliers' strategic approach to rollout, their annual milestones and a narrative duly justifying them.
- **Progress report:** a report setting out the supplier's progress and performance against their rollout plan.

2.2. In this document, we talk about "dry run" and "draft" rollout plans, annual milestones and progress reports. The information contained in them will not constitute binding and enforceable annual milestones or rollout plans under the licence condition.

Our decision

2.3. In July 2013 we consulted on how suppliers should report to us during the smart meter rollout. We received 14 responses, and these largely agreed with our proposals. As a result there have been few changes to the structure of the rollout plans and progress reports proposals set out in July 2013. We have, however, made some changes to the processes and timings for submitting plans. We will also provide suppliers with questions to answer when duly justifying their plans. The table below summarises our decision on suppliers' reporting requirements during the smart meter rollout.

Table 1: Supplier reporting requirements

	Reporting requirement	Regulatory tool	Timing
Large suppliers ⁹	Dry run rollout plans containing non-binding annual milestones and a narrative justifying them	Information request	January 2015
	Draft rollout plans. Annual milestones not binding and enforceable at this stage	Direction	August 2015
	Rollout plans containing binding and enforceable annual milestones and a narrative justifying them	Direction	January 2016 ¹⁰
	Dry run progress report	Information request	January 2016
	Progress reports	Direction	Annually from January 2017 to January 2020
Small suppliers	Dry run of small suppliers' rollout plans	Voluntary information request	January 2015
	Small suppliers' rollout plans	Information request	January 2016
	Dry run of small suppliers' progress on installing smart meters.	Voluntary information request	January 2016
	Small suppliers' progress on installing smart meters.	Information request	Annually from January 2017 to January 2020

2.4. In a change to our initial proposals, we have decided to provide large suppliers with a list of questions to answer when justifying their annual milestones. We will hold workshops to discuss, among other things, these questions.

2.5. We have also decided that the dry run rollout plans submitted by large suppliers in January 2015 and the dry run progress reports submitted in January 2016 will not be voluntary. Instead we will use our information request powers¹¹ to mandate the submission of them; however the information in them will not be binding and enforceable. We have also decided that a draft, non-binding version of the January 2016 submission should be submitted by large suppliers in August 2015. The rationale for these decisions is set out from paragraphs 2.43.

⁹ See table 3 for more detail.

¹⁰ If a supplier becomes large after the cut-off date for being required to submit the rollout plan in January 2016, then they'd be required to submit a rollout plan in January 2017 or 18.

¹¹ Our information requests powers under Licence conditions 38 of the gas supply licence and 44 of the electricity supply licence.

Issues raised by respondents and our views on them

Content and structure of supplier rollout plans for large suppliers

Our July 2013 position

2.6. We proposed that suppliers' rollout plans should contain only the information that is essential for us to understand their plans across their entire customer base.

Respondents' views

2.7. Most respondents agreed with this approach. They also agreed that we should use our information request powers if additional information is needed.

2.8. Most respondents agreed that a single rollout plan with a separate annual milestone for each fuel is an appropriate approach. One respondent argued that, although it is sensible to request separate annual milestones, enforcement should focus on achievements across both fuels. Another respondent proposed separating plans for domestic and non-domestic customers

2.9. Some respondents questioned the need for a word limit on the narrative, while others suggested that if a limit is needed it should be higher than the proposed 650 words.¹² We agree that the proposed word limit may be too small, so we plan to set a new, significantly higher word limit. We will discuss the exact content and word limit with suppliers in autumn.

Our decision

2.10. We have considered these viewpoints, but maintain our position that there should be one binding and enforceable annual milestone for each calendar year, for each fuel. This is because:

- The general rollout obligation requires smart meters to be installed in domestic and smaller non-domestic premises. Therefore the annual milestone should cover both these categories of premises. However, we expect to also request that suppliers indicate how each milestone would be split across domestic and non-domestic meter points, for our information.
- The licence conditions are separate for gas and electricity therefore a direction will be issued under both the gas and electricity supply licence. This means that the annual milestones must be separate for each fuel.

¹² For example, one suggestion was that the limit should be 3,000 words.

2.11. We were previously inclined to request that suppliers set a milestone that reflects the number of smart meters they would install in that year. We have decided however that the milestones should be cumulative. This means each milestone should represent the total number of smart meters that will be installed across their entire customer base by the end of any given calendar year, rather than just those to be installed during that twelve month period.

2.12. We consider this approach to be more intuitive. It will be easier to see progress towards all their customers having smart meters. As the milestones will represent the cumulative number of installed meters, if a supplier misses one milestone, without taking corrective action they may be more likely to miss the next milestone. As such, suppliers will be encouraged to resubmit their plans, with the shortfall being reprofiled across the remaining years. Resubmitting plans will ensure suppliers have fully considered how to make up a shortfall, reducing the risk of large numbers of consumers not getting smart meters.

2.13. We maintain that suppliers' rollout plans must consist of three sections:

- **Strategic approach:** an explanation of how they will roll out smart and advanced meters to their domestic and smaller non-domestic consumers.
- **Annual milestones:** a series of binding and enforceable targets. Annual milestones will be the percentage of domestic and smaller non-domestic premises in the licensee's portfolio that will be installed with a smart meter by the end of any given year.¹³
- **Narrative:** their detailed rationale duly justifying their annual milestones.

2.14. To assist with the narrative, we are developing specific questions for suppliers to answer when justifying their annual milestones. We think this will allow us to better protect consumers, as it will:

- Give us more insight into suppliers' rollout plans from the outset.
- Provide a helpful structure, allowing us to compare across suppliers. This will help us establish whether plans look realistic.

2.15. We will continue to develop these questions, working with DECC to ensure that where possible we align our requirements. We will also hold a workshop with suppliers to discuss the final wording of the questions. At present, we expect to ask suppliers for information under the following categories:

¹³ As defined in condition 44 of the electricity supply licence and condition 38 the gas supply licence.



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1. People (eg installers, customer operations etc.)
2. Systems (eg links with the DCC, asset management etc.)
3. Technical and quality assurance
4. Commercial (eg financing, procurement of metering equipment etc.)
5. Consumer engagement
6. Governance structure
7. Risk management

Tolerance bands for large suppliers

Our July 2013 position

2.16. The underpinning licence conditions specify that for a supplier to have 'achieved' its annual milestone it must have reached at least 95% of it. A tolerance on the annual milestones was introduced to strike a balance between:

- providing some flexibility for suppliers¹⁴
- encouraging suppliers to set more challenging milestones, ensuring sufficient progress during the rollout.

2.17. The licence condition also lets us lower the tolerance level where we consider it appropriate.¹⁵ We proposed to lower it to 90% for the 2016 and 2017 annual milestones. This increased flexibility reflects the greater uncertainties in the earlier part of main installation stage of the rollout, which may affect suppliers' ability to plan accurately.

Respondents' views

2.18. Most respondents agreed that higher tolerance levels during the beginning of the main installation stage of the rollout are appropriate as they allow for teething problems. However, some respondents proposed the following alternative approaches.

¹⁴ Additional flexibility for suppliers is also provided through our approach to resubmissions (see paragraph 2.39 below).

¹⁵ Condition 38.4 of the gas supply licence and condition 44.5 of the electricity supply licence say that an annual milestone will be met if 95% of it is achieved, but gives us powers to direct a lower percentage.

No enforcement action in the first year of mass rollout

2.19. We disagree with this approach. The purpose of the annual milestone regulatory framework is to ensure that suppliers are taking appropriate actions to meet the general 2020 obligation to roll out smart meters, and to be able to take action if we are concerned that they are not.

2.20. In addition, the dry run submission in 2015 gives suppliers the experience of submitting the required information without binding and enforceable annual milestones. Although these milestones aren't binding, it will provide insight into suppliers' preparations for the main installation stage of the rollout. For example, it will reveal whether suppliers are taking timely steps to procure smart meters¹⁶, which will be critical for meeting their obligations during the main installation stage.

2.21. If a supplier doesn't meet the 2020 rollout obligation, in assessing whether they took all reasonable steps we will look at a supplier's readiness. This may include scrutinising the information provided through the dry run process.

A 90 percent threshold for all reporting years

2.22. The respondent who suggested this approach argued that greater flexibility was needed in later years as suppliers may leave difficult installations until the end of the rollout. In our view, setting a lower threshold in the last two years of reporting provides the wrong incentives. We do not expect suppliers to leave the more difficult installations to the end of rollout. During the advanced meter rollout to large non-domestic premises there were indications that some suppliers may have begun their rollout efforts in earnest too late. We expect suppliers to start preparations early to overcome difficulties and learn from this experience, so all consumers can benefit from smart meters.

2.23. Many respondents also raised concerns around "failed installations" for issues outside the suppliers' control and around the "reasonable steps" criteria. We discuss these in more detail in paragraphs 2.55 and 2.56 below.

More generous thresholds throughout

2.24. One respondent suggested that tolerances should be set at 80% in the first two years and 90% in the final two. However, we have not seen enough evidence suggesting a need for a different level of flexibility from that proposed in our July 2013 consultation. We consider our existing position is an appropriate way to strike the required balance between providing assurance about suppliers' progress and allowing sufficient flexibility for suppliers.

¹⁶ Both first generation (known as SMETS1 meters) and second generation meters (SMETS2).

Our decision

2.25. We confirm that a supplier will have achieved its annual milestone if it reaches at least:

- 90% of the milestone set for 31 December 2016¹⁷
- 90% of the milestone set for 31 December 2017
- 95% of the milestone set for 31 December 2018
- 95% of the milestone set for 31 December 2019

2.26. The following table provides an illustrative example of milestones and what would be permitted in terms of rollout based on the tolerances above.

Table 2: Illustrative example of milestones with tolerance applied

	Milestone (% of portfolio with smart installed)	Tolerance	Tolerance applied to milestone (% of portfolio with smart installed)
2016	20%	90%	18%
2017	40%	90%	36%
2018	60%	95%	57%
2019	80%	95%	76%

2.27. Suppliers are permitted and encouraged to exceed their annual milestones.

Content of progress report for large suppliers

Our July 2013 position

2.28. We proposed requiring licensees to submit a progress report describing progress and performance against the rollout plan. The underpinning licence conditions allow us to specify what should be in a progress report.

Respondents' views

2.29. All respondents agreed with our proposals for the content of the progress report. Two respondents suggested also including information on customers who

¹⁷ We will use these powers in licence condition 38.4 of the gas supply licence and condition 44.5 of the electricity supply licence to direct a lower percentage for 2016 and 2017.

don't have smart meters but for whom suppliers have taken "all reasonable steps" to provide them. One respondent would like suppliers to provide monthly progress updates against post code and by type of installation.¹⁸

Our decision

2.30. Given the support for our proposals, we maintain that progress reports should have two main sections:

- **Progress against annual milestone** – suppliers will provide quantitative data to demonstrate their performance against their set annual milestone for the end of that calendar year. This quantitative data would be the percentage of domestic and smaller non-domestic premises which have a smart or relevant advanced meter installed by the end of the calendar year.
- **Narrative section** – suppliers will explain any difference between their submitted annual milestone for the previous calendar year and their actual performance. We maintain our position that there will be no word limit on this section. This will allow a supplier to fully explain its reasons for any underperformance. We will not request that suppliers include the percentage of customers who don't have smart meters but for whom they have taken "all reasonable steps" to provide them. There may be further reasonable steps that a supplier could take beyond that point in time, so it is not clear that it would provide meaningful information.

Publication requirements for large suppliers

Our July 2013 position

2.31. We proposed mandating suppliers to publish (on their website), within one month of submitting to us:

- their original series of annual milestones
- any updated annual milestones
- their performance against their proposed rollout plan.

¹⁸ Please note that we will discuss network concerns, including this, from paragraph 2.66.

Respondents' views

2.32. Respondents broadly agreed with our proposals, however, some questioned the need to make publication compulsory and how useful the information would be for consumers.

2.33. Suppliers made various suggestions about publication proposals:

- One respondent suggested that suppliers should have to publish the information at the same time they submit it to us, rather than within a month of submitting.

Several respondents argued that consumers would find it more useful, and more trustworthy, if the Central Delivery Body¹⁹ published aggregated and anonymised rollout plans and progress reports.

Several respondents stressed the importance of commercial confidentiality when considering what information should be published.²⁰

Our decision

- We agree that it is important to maintain commercial confidentiality. We have reviewed our proposals and decided that: Suppliers will only be required to publish (on their website) the proportion of their gas and electricity customers for which they have installed a smart meter. The figure they publish should be in accordance with what they have reported to us in their progress report. Publishing any accompanying narrative is optional.
- Suppliers will not be obliged to publish their rollout plans and annual milestones (nor their re-submitted plans).
- There will be no regulatory requirement to publish aggregated or anonymised rollout profiles on any third party website.
- Suppliers will not be required to publish anything relating to the dry run submissions of rollout plans in January 2015, draft rollout plans in August 2015 or dry run progress reports in January 2016.

2.34. Under section 35 of the Gas Act 1986 and section 48 of the Electricity Act 1989 we have powers to publish information and advice where we think this would

¹⁹ The Central Delivery Body is a new organisation responsible for delivering consumer engagement during the smart meter rollout. It has since been rebranded as Smart Energy GB.

²⁰ In contrast one respondent thought that suppliers' full plans should be published.

promote the interest of consumers. We may decide to use these powers to publish information from suppliers' rollout plans if we consider it appropriate.

2.35. DECC will continue to publish information including quarterly statistics on the numbers of smart meters installed, and an annual general progress update as part of its reporting to parliament and the public. This means that there is and will continue to be information publicly available on how the roll out is progressing.

Timeline for submissions and re-submissions for large suppliers

Our July 2013 position

2.36. In our July 2013 consultation we proposed that the first mandatory submission would be January 2016 for rollout plans and January 2017 for progress reports. To ease the burden on suppliers we sought to align the reporting timetable with DECC's reporting requirements.

2.37. As a learning exercise we suggested that suppliers should submit a voluntary dry run rollout plan in January 2015 and a voluntary dry run progress report in January 2016. Suppliers would also have the opportunity²¹ to resubmit rollout plans in January 2017 and 2018, and in exceptional circumstances could make a request to resubmit their plans at any other time.

Respondents' views

2.38. Most respondents agreed with our proposed timetable. Some suggested that suppliers should also be able to resubmit rollout plans in January 2019.

2.39. While there is not a specific resubmission window in 2019 the licence condition also allows suppliers to request to resubmit a rollout plan at any time. We will consider any such request on a case-by-case basis. We expect a supplier to request an ad hoc resubmission only in exceptional, material and unforeseeable circumstances, and when their reasons for doing so can be duly justified.

2.40. Most respondents welcomed the alignment of these requirements with DECC reporting in January. One respondent expressed a preference to submit progress reports in the February of each year instead.²² We have confirmed the timing of DECC reporting and remain of the view that our timing should align with this.

²¹ Under condition 38.6(a) of the gas supply licence and condition 44.6(a) of the electricity supply licence suppliers.

²² The respondent who proposed this was concerned that the January date may be difficult as it coincides with a holiday period and end of year reporting.

2.41. Many respondents considered the proposed voluntary exercise to be a useful exercise that would help refine the process ahead of mandatory submissions.

Our decision

2.42. We have decided that the dry run rollout plans submitted in January 2015 and the dry run progress reports submitted in January 2016 will no longer be voluntary. Instead we will use our information request powers to mandate the submission of them. However, the information contained in them will not constitute binding and enforceable annual milestones or roll out plans under the licence condition.

2.43. The reason we are making the January 2015 submission of the dry run rollout plan and the January 2016 submission of the dry run progress report mandatory is twofold:

- We are interested in suppliers' readiness for the main installation stage of the rollout. We hope that by getting this early insight we will be better able to identify where suppliers are not ready and take early action.
- If some suppliers did not submit a response, then we would have less material to learn lessons from when we come to refine the templates that will be used on an enduring basis.

2.44. We have also decided that a draft, non-binding version of the January 2016 rollout plan should be submitted in August 2015. This will allow us to scrutinise what should be a near final version of the suppliers' rollout plans and to provide feedback prior to the January 2016 submission. Our objective for undertaking this work before the final submission is to be able to quickly respond to suppliers whose January 2016 submission is not duly justified.

2.45. Our position with respect to resubmitting rollout plans has not changed since our July 2013 consultation.

2.46. The table below clarifies the timetable of activities for large suppliers.

Table 3: Timetable of activities for large suppliers

Date to submit	Activity
December 2014	Ofgem issue information request instructing suppliers to submit a dry-run of their rollout plan in January 2015 and dry run progress reports in January 2016.
January 2015 ²³	<p>Suppliers' submit dry-run rollout plan to Ofgem. This will include:</p> <ul style="list-style-type: none"> • strategic approach • annual milestones for December 2015 to December 2019 • a narrative duly justifying their annual milestones <p>The annual milestones included will not be binding and enforceable</p>
January 2015 – June 2015	<p>Analysis and engagement</p> <ul style="list-style-type: none"> • Ofgem analyses plans • Engagement with suppliers • Update templates with lessons learnt as required
July 2015	<p>Ofgem issues Direction for suppliers to submit official rollout plans and progress reports. Direction will require suppliers to submit:</p> <ul style="list-style-type: none"> • an draft rollout plan in August 2015 • a rollout plan in January 2016 <p><i>Suppliers who reach the threshold outlined in paragraph 1.7 on the 1st of April in any year of the rollout will be classed as 'large' and required to submit rollout plans and progress reports.</i></p>
August 2015	<p>Suppliers submit draft rollout plans. This will include:</p> <ul style="list-style-type: none"> • strategic approach • draft annual milestones for December 2015 to December 2019 • a narrative duly justifying their annual milestones

²³ The dates included throughout this table are indicative. We will confirm exact dates for submissions in the information requests and direction that we issue.

	The draft annual milestones included will not be binding and enforceable
August 2015 – December 2015	Analysis and engagement <ul style="list-style-type: none"> • Ofgem analyses plans • Engagement with suppliers • Suppliers work on rollout plans to ensure that they are ready for formal submission in January 2016.
January 2016	Suppliers’ submit rollout plan to Ofgem. This will include: <ul style="list-style-type: none"> • strategic approach • annual milestones for December 2016 to December 2019 • a narrative duly justifying their annual milestones The annual milestones will be binding and enforceable
January 2016	Suppliers’ submit dry-run progress report <ul style="list-style-type: none"> • Reporting on their dry run annual milestone for December 2015
January 2016 – March 2016	Analysis and engagement <ul style="list-style-type: none"> • Ofgem analyses plans • Engagement with suppliers
January 2017	Suppliers’ submit progress report <ul style="list-style-type: none"> • Reporting on their annual milestone for December 2016

2.47. During the ‘analysis and engagement’ phases we will review plans and discuss with suppliers any concerns we have with regards to whether the plan is duly justified. If a plan is not justified, we will expect a supplier to bring it up to standard and we will initiate a process to achieve that. We will also consider whether it is appropriate to initiate enforcement against their failure to meet their obligation to duly justify their plan.

Enforcement

2.48. Respondents raised concerns around enforcement. Some suppliers requested more guidance on how we will enforce failed annual milestones. In particular, suppliers were concerned:

- about the circumstances we will consider when assessing compliance

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- that an underperforming supplier could be penalised twice: once for not hitting an annual milestone and again for not complying with the general 2020 rollout obligation.

2.49. A few respondents suggested that we should take enforcement action for a failed annual milestone only if the supplier also fails to comply with the general obligation to install smart meters by 2020.

2.50. As we have previously explained,²⁴ the main purpose of having binding and enforceable annual milestones is to:

- ensure that suppliers are held accountable for rolling out smart meters
- ensure there are practical and effective safeguards against poor delivery.

2.51. Given the unique nature and scale of the rollout it is important that we have interim check points where we can formally evaluate suppliers' progress. As part of this we will consider enforcement action, prior to 2020, where targets have not been met. In doing so, we will apply our enforcement guidelines prioritisation criteria.²⁵

2.52. We understand that there may be some factors outside suppliers' control which affect their ability to meet their annual milestone.²⁶ We will act in a proportionate manner in line with our enforcement guidelines²⁷ when considering breaches.

2.53. Some respondents sought further clarity and guidance on financial penalties. We recently consulted on our new statement on imposing financial penalties and making consumer redress orders.²⁸ This consultation complemented our recently published enforcement guidelines and our open letter describing our position on regulatory compliance²⁹ We aim to publish the revised penalties statement this autumn.

Guidance on "all reasonable steps"

2.54. Some respondents have indicated that they would like explicit guidance on factors we will take into account when assessing whether suppliers have taken all reasonable steps. We do not consider it beneficial to issue such guidance at this stage of the rollout. It's too early to say what would be considered "all reasonable steps" to meet the 2020 deadline. Any guidance at this stage risks setting the bar

²⁴ For example, in '[Supplier reporting to Ofgem during the smart meter roll-out](#)', Ofgem 2013

²⁵ [Enforcement Review Implementation: guidelines, priorities, terms of reference](#).

²⁶ For example, several suppliers cited customer churn (ie a supplier may gain a significant proportion of customers with no smart meter and therefore fail their annual milestone).

²⁷ [Enforcement guidelines](#), Ofgem 2014.

²⁸ [Consultation on our financial penalties and consumer redress policy statement](#), Ofgem 2014

²⁹ [Open letter on regulatory compliance](#), Ofgem 2014.

too low or too high. This could stifle innovation and lead to a race to the bottom. However, where we decide that suppliers plans are not duly justified, then suppliers will know that they need to go further in their plans to roll out smart meters.

2.55. Licensees should consider the points made in our August 2014 open letter on suppliers advance meter rollout performance³⁰ It is important to clarify that we will not only look for issues around, for example, failure to access customer premises or failed installation because of technical issues. We will also expect the supplier to show us that it has prepared for these possibilities and actively sought solutions. Starting too late or lack of preparedness, for example not procuring appropriate metering equipment (both the first generation and second generation of meters – known as SMETS1 and SMETS2 meters) in a timely manner will not be an excuse for missing annual milestones or the 2020 rollout obligation.

Reporting requirements for small suppliers

Our July 2013 position

2.56. The general rollout obligation³¹ falls on all suppliers, both large and small. We proposed initially issuing the direction to only large suppliers and using our information request powers to monitor small suppliers' progress.

2.57. In our view, there is limited additional benefit to requiring binding milestones from small suppliers since, due to their size, they could install smart meters for their entire customer base in a shorter time. However, we noted that if our monitoring raised concerns we may review this approach. This position limits the burden on small suppliers and aligns with DECC's reporting requirements.³²

Respondents' views

2.58. As expected, responses on this point were mixed. A slight majority of respondents, including some large suppliers, agreed with our proposals. In particular, one small supplier noted that the smart metering programme will significantly affect its business, so it welcomed our proportionate approach. Another small supplier noted that it is likely to use metering agents working on behalf of several suppliers, so it may have little influence over which customers get smart meters first.

2.59. Other respondents argued that all suppliers should have to submit rollout plans with binding and enforceable annual milestones. The main justifications were discrimination, transparency and uncertainty about network resources needed. One

³⁰ [Suppliers' advanced meter roll-out performance](#), Ofgem 2014.

³¹ Under condition 39 of the electricity supply licence and condition 33 of the gas supply licence suppliers must take all reasonable steps to ensure that a smart metering system is installed at all domestic and small non-domestic premises by the end of 2020.

³² DECC collect information from small suppliers; however our understanding is that, at present, it is on a voluntary basis.

respondent suggested that the requirement to submit should be the same, but enforcement action should be proportionate to the time required to address any shortfall.³³

Our decision

2.60. We acknowledge that all suppliers must meet the general rollout obligation, and that all consumers should benefit from the installation of smart meters. However, in line with our better regulation principles,³⁴ it is important to strike a balance between limiting the burden on small suppliers and effectively monitoring their rollout.

2.61. For these reasons, we will initially use our information request powers to request small suppliers to submit:

- the number of smart meters they intend to install for their gas and electricity customers by the end of each calendar year, accompanied by their strategic approach³⁵ and a narrative explaining how they will do so (the information request will be voluntary for the January 2015 submission and mandatory for the January 2016 submission).
- yearly progress updates on the number of smart meters they have installed by the end of the preceding calendar year (the January 2016 submission would be voluntary).

2.62. Table 4, below, summaries the timetable of activities for small suppliers.

³³ In recognition that slippage by a small supplier may be more easily recovered than slippage by a large one.

³⁴ We regulate only where necessary to protect consumers' interests. We carefully consider whether any regulatory requirement we propose is proportionate and necessary to protect consumers. You can find [more information on our approach to regulation](#) on our website.

³⁵ This is essentially the same information that large suppliers are required to provide, but it will not contain binding and enforceable annual milestones.

Table 4: Timetable of activities for small suppliers

Date to submit	Activity
December 2014	Ofgem issue voluntary information request asking suppliers to submit a dry-run of their rollout plan in January 2015 and progress reports in January 2016.
January 2015 ³⁶	Suppliers voluntarily submit dry-run rollout plan to Ofgem.
January 2015 – August 2015	Analysis and engagement
December 2015	<p>Ofgem issue information request instructing suppliers to submit their rollout plan in January 2016 and progress reports in January 2017.</p> <p><i>Suppliers who reach the threshold outlined in paragraph 1.7 on the 1st of April in any year of the rollout will be classed as 'large' and required to submit rollout plans and progress reports.</i></p>

2.63. If during the smart meter rollout a small supplier reaches the threshold outlined in paragraph 1.7, it will be classed as a large supplier and will be subject to the direction to submit rollout plans with binding milestones. It will then need to submit the information shown in paragraph 2.11.

2.64. We will keep our policy for monitoring small suppliers under review. If we decide that information requests are no longer an appropriate means of monitoring small suppliers (or a specific small supplier) we will consider directing them to submit rollout plans and progress reports.

³⁶ The dates included throughout this table are indicative. We will confirm exact dates for submissions in the information requests and direction that we issue.

Network operators concerns

2.65. Some distribution network operators raised concerns about the detail of information we had asked for in rollout plans. These stakeholders stressed their need for more detailed information as soon as possible so they could adequately prepare.

2.66. We understand that network operators need more frequent and detailed information from suppliers before the start of the main installation stage of the rollout. However, the licence conditions on suppliers reporting to us during the rollout were not intended to address this issue. It would be disproportionate to require suppliers to set enforceable milestones on a monthly basis, by postcode.³⁷

2.67. Network operators' concerns are being addressed separately by industry by raising the appropriate code modifications.³⁸ We encourage the industry to continue progressing this issue using the appropriate regulatory tools.

Timetable for rollout

2.68. One supplier sought assurance that the overall timetable for rollout would not slip again. We can confirm that we have no intention of changing the 2020 deadline for the general obligation to install smart meters, and we are not aware that DECC intends to do so.

³⁷ Another suggestion was for this to be provided by domestic and non-domestic portfolios.

³⁸ [Change DCP195 – Service Level Agreement for Resolving Network Operational Issues under the Distribution Connection and Use of System Agreement](#) has been approved by Ofgem and addresses this issue for electricity. [Change CP14/282 – Provision of Smart Meter roll-out profiles to Transporters under the Supply Point Administration Agreement](#) has been raised to address this issue for gas.

3. Response to our open letter on wider rollout monitoring

Chapter Summary

In April 2014 we issued an open letter³⁹ setting out the initial data we propose to collect from suppliers on their rollout activities. Of the eight data items we consulted on, we will collect five. We will also collect two further data items based on the responses to the consultation.

3.1. As part of our monitoring work, our open letter set out our intention to collect eight data items from suppliers to fulfil two goals:

- To assist our monitoring of supplier compliance with obligations.
- To monitor the impact of the smart meter rollout on consumers and the retail market.

3.2. To reduce the regulatory burden on suppliers, we proposed aligning our data collection activities with the Department for Energy and Climate Change's (DECC's) existing monitoring work as far as is practicable. Conscious of the burden on smaller suppliers, we proposed to exclude small gas and electricity suppliers from our initial monitoring work.⁴⁰ We consulted on two questions:

Question 1: Do you consider that the above proposals place a fair and proportionate regulatory burden on suppliers?

Question 2: Can you propose alternative methods of monitoring suppliers' activities in these areas which are as or more effective, while imposing less of a burden?

3.3. We received 13 responses: nine from suppliers, two from network operators, one from Citizens Advice and one from Electralink. Below we set out their comments on our proposed approach, additional data they suggested we collect, comments on the data we proposed collecting and our decision.

Our decision

3.4. Of the eight data items we consulted on, we will collect five. We will also collect two further data items based on the responses to the consultation. Below, we

³⁹ [Monitoring suppliers' smart meter roll-out activities](#), Ofgem 2014

⁴⁰ Chapter 1 defines small suppliers.

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set out what we intend to collect, highlighting the data items that we no longer plan to collect and the new data items we plan to collect:

1	Number of domestic customers' premises in which the supplier installed a smart meter. Of these, the number of domestic customers that the supplier provided an In Home Display (IHD) at the same time as the smart meter.
2	Number of Priority Services Register (PSR) customers' premises in which the supplier installed a smart meter. Of these, the number of PSR customers that the supplier provided an IHD at the same time as the smart meter.
3	Number of IHDs reported faulty within one year of the smart meter installation and how many the supplier replaced at no cost.
4	Number of IHDs reported faulty between one and two years after smart meter install and how many were replaced. Indicate how many months after smart meter install the IHD is understood to have become faulty.
5	Total number of customers who informed the supplier that they do not want to have a smart meter installed.
6	Number of customers' premises with a traditional pre-payment metering which the supplier installed a smart meter in prepayment mode.
7	The number of cases of gas and electricity theft detected when visiting the property for a smart meter installation, estimation of the volume of gas and electricity stolen and of the volume recovered.
8	Number of customers who have a smart meter installed, by postcode district.
9	Number of non-domestic customers' premises in which the supplier has installed a smart meter. Of these, number of non-domestic customers that the supplier provided an IHD at the same time as the smart meter.
10	Number of non-domestic customers' premises in which the supplier has installed an advanced meter. Of these, the number of non-domestic customers that the supplier provided an electronic measuring device at the same time as the advanced meter. The electronic measuring device would be anything that uses an electronic display to give information that will help work out how much electricity or gas has been supplied.

3.5. This is not the final wording we will use when we request information from suppliers. Our approach for engaging with suppliers to agree the exact wording is set out in Chapter 4.

Comments on our overall proposed approach

3.6. Respondents generally supported our overall approach, especially our proposal to align our monitoring activities with DECC's. Three suppliers asked if we could go further and obtain information directly from DECC. One respondent suggested that

reusing existing infrastructure and centralised reporting would impose less of a regulatory burden on the industry.

3.7. Some of the information we are seeking is not collected by DECC, so an information request would be needed anyway. Similarly, the existing reporting infrastructure does not hold all the data we are seeking.

3.8. Two suppliers expressed support for the 250,000 meter point threshold, citing a disproportionate administrative burden. One supplier and one other respondent objected to the threshold, citing the need to identify and address non-compliance and consumer detriment. One supplier asked if it was worth considering also excluding non-domestic metering points from our monitoring work.

3.9. On balance, we believe the thresholds and scope consulted on strike the correct balance between protecting consumers and imposing a fair regulatory burden on suppliers.

Additional data respondents suggested we collect

3.10. One respondent expressed disappointment in the scope of our monitoring. It wanted more focus on the evaluation of the rollout benefits and the protection of consumers. It proposed that we collect the following additional data:

- a) Number and location of households and small business properties where appliances have been condemned.
- b) Number of visits and total time per dwelling and per small business, plus rationale where there are more than three visits or three hours of visits. Monitor small suppliers alongside larger suppliers.
- c) Cost-effective approaches used by suppliers and network operators to reduce costs of installations in complex situations (a mix of quantitative and qualitative information), for example replacing asbestos meter boards and boxes.
- d) Number of missed appointments, by postcode and rationale.
- e) Number of households given additional help, reporting against standard types of assistance, including assisted referrals to supplier-led or third-party energy efficiency schemes. Monitor small suppliers alongside larger suppliers.
- f) Number of homes unable to control their use of space heating.
- g) Number of households with a smart meter installed but still receiving estimated bills (ie where the smart meter is not functioning as expected).
- h) Proportion of non-domestic consumers who have been given a data display.

3.11. DECC holds overall accountability for the Smart Meter Implementation Programme business case. It conducts its own monitoring to check that smart meter benefits are being delivered. We already monitor suppliers in various ways, such as regular meetings with industry parties and analysing consumer complaints data. We also monitor supplier compliance with our Spring Package obligations and requirements⁴¹ and intend to carry out further monitoring work as part of our Consumer Empowerment and Protection project.⁴² The data we intend to collect here is designed to complement this existing monitoring work and our future monitoring commitments.

3.12. We have considered the additional data suggested by the respondent, and we believe that DECC is best placed to consider suggestions (a) to (f) as part of their monitoring and evaluation work.

3.13. On (g), our Consumer Empowerment and Protection project will focus on billing accuracy for smart meters in Phase 1 of the work programme. This will include considering the appropriate data to monitor in areas such as billing accuracy and estimated bills.

3.14. On (h), we acknowledge that there is no requirement for suppliers to provide an IHD to non-domestic consumers. However, for our Consumer Empowerment and Protection project we already intend to monitor market developments around provision of consumption information and data to domestic and microbusiness consumers (see page 29 of our [Consumer Empowerment and Protection consultation](#)). As a result, we intend to collect this additional data:

- Number of non-domestic customers who have had a smart meter installed. Of these, the number of customers who had an IHD installed at the time of the smart meter installation.
- Number of non-domestic customers who have had an advanced meter installed. Of these, the number of customers who had an electronic device (that provides information, by electronic display, for the purposes of ascertaining the quantity of electricity or gas supplied) installed at the time of the advanced meter installation.

3.15. A supplier suggested that we collect data on and publish an assessment of the industry's capacity for installing smart meters. It said this should encourage meter operators and meter asset providers to prevent a shortfall and highlight any difficulties smaller suppliers may have engaging agents to progress their share of the wider rollout.

3.16. On this point, DECC is responsible for the overall policy design of the smart meter rollout. It has worked closely with the National Skills Academy for Power to

⁴¹ [Smart metering Spring Package: addressing consumer protection issues](#), Ofgem, 2011.

⁴² [Consumer Empowerment and Protection in Smarter Markets](#), Ofgem, 2013.

train installers and is in discussions with suppliers and other industry partners on issues such as this as the main installation stage of the roll out approaches.

3.17. A supplier also suggested collecting data on the make and model of metering equipment being installed by suppliers. Should there be a need to repair or replace these meters; this data would assist in addressing any issues.

3.18. There may be merit in holding central data on the make and model of smart metering equipment. The respondent suggested that the Data and Communication Company (DCC) could hold this data after it has gone live at the end of 2015. If it does not, a modification to the Smart Energy Code could be raised to allow it. In the meantime, existing industry processes should be able to address any issues for smart meters, in the same way they already do for traditional meters.

3.19. Two network operators suggested that they be provided with detailed supplier rollout plans. This would allow them to schedule resources, workloads and finance requirements as efficiently and economically as possible. This was also raised by network operators in response to our July 2013 consultation. See paragraphs 2.66 onwards for details and our response.

Respondents' comments on the data we proposed collecting

3.20. In general, respondents asked for clarifications about the exact wording and definitions of the data we will request from suppliers. For the most part, we will not address these points here. Instead, we will engage with suppliers directly to agree wording that is clear and effective (see chapter 4 'Next Steps'). However, below we address some of the more substantial points.

Number of customers who have had a smart meter installed. Of these, number of customers who had an IHD installed at the time of the smart meter installation.

3.21. Respondents largely did not raise issues with this as DECC already collects something similar. One supplier did question the rationale for collecting this data. It pointed out that consumers can refuse an IHD, so it may not provide an accurate measure of suppliers' compliance with the obligation to offer an IHD.

3.22. We consider the IHD data to be a useful indicator of compliance. While it may not directly show non-compliance, statistical outliers may prompt further examination of how a supplier approaches offering IHDs, and whether that approach complies with the obligation.

3.23. In the future, we may collect data on the number of consumers that are being provided with a device(s) in addition to the IHD.

Number of Priority Services Register (PSR) customers who have had a smart meter installed. Of these, number of customers who had an IHD installed at the time of the smart meter installation.

3.24. All respondents supported collecting this data. One respondent asked whether we are seeking views on whether or not this group of customers should be prioritised. This is not the case.

Number of IHDs reported faulty within one year of smart meter installation and how many were replaced at no cost.

3.25. No issues were raised about the reasons for collecting this data.

Number of IHDs reported faulty between one and two years after smart meter installation and how many were replaced. Indicate how many months after smart meter installation the IHD is understood to have become faulty.

3.26. Three suppliers objected to collecting this data, citing the cost of gathering it. They said extending a guarantee to 24 months would not align with wider manufacturing standards or the licence condition.

3.27. We have decided not to collect this information. We have informally discussed with some suppliers what their approach would be if an IHD was reported faulty after 12 months, and they intend to replace the IHD more than a year after the installation. As such, there appears to be a commercial incentive to replace an IHD beyond the 12-month requirement. If some suppliers decided not to replace the IHD, it may encourage consumers to shop around and find a supplier that would offer them what they want.

Total number of customers who informed the supplier that they do not want to have a smart meter installed.

3.28. Respondents foresaw no difficulty collecting this data. However, one supplier questioned whether this data is the best means of measuring suppliers' consumer engagement performance.

3.29. We've been considering the best approach to assessing consumer engagement since we issued our open letter. We have concluded that a more qualitative approach would be more useful. We will not collect this data and will instead engage directly with suppliers on this issue. We will also ask suppliers to outline their consumer engagement strategy when they "duly justify" the annual milestones (see chapter 2).

Number of customers with a traditional pre-payment meter who have had a smart meter installed.

3.30. No issues were raised about the reasons for collecting this data.

3.31. In the future, we may also collect data on the number of customers with a meter that is supported by the Radio Teleswitch System who have had a smart meter installed.

The number of cases of gas and electricity theft detected when visiting the property for a smart meter installation, estimation of the volume of gas and electricity stolen and of the volume recovered.

3.32. One supplier asked to understand the reason for collecting this data. Two suppliers suggested that the Theft Risk Assessment Service (TRAS) is a better way to monitor theft at smart metering sites. One supplier noted that the question is not directly related to the rollout of smart meters and the information-gathering powers provided by condition 44 of the electricity supply licence and 38 of the gas supply licence.

3.33. Standard Licence Condition 12.A.6 of the gas and electricity licences requires suppliers to take all reasonable steps to investigate suspected theft of gas or electricity. This would include theft detected when visiting the property to install a smart meter. The TRAS will be in place by February 2016. While we have decided not to collect this data for the time being, we remind suppliers of their duties under standard licence condition 12.A and we expect them to take all reasonable steps to record cases of theft in a manner that facilitates the efficient operation of the TRAS.

Number of customers that have a smart meter installed, by postcode.

3.34. Two suppliers asked whether we intend to collect this data by full postcode or postcode district. One supplier suggested that it may be better to investigate the possibility of developing some form of additional 'trend analysis' to the switching information that is already collected in order to establish any correlation between customer-switching and the smart meter rollout.

3.35. We intend to collect data by postcode district. Ideally we would request the information only by electricity distribution network area, as that is the level of detail we need. However, DECC already collects this data by postcode district, so we will request the same to avoid further work for suppliers. We intend to use this data to complement and cross-check our monitoring of retail markets. We have asked all suppliers with more than 100,000 customers to voluntarily provide national information on their metering point numbers and their switching activity, broken down by smart and non-smart meter types.

4. Next steps

Annual milestones monitoring

4.1. The tables in chapter 2 set out in detail the process we intend to follow in terms of requesting rollout plans and progress reports.

Developing rollout plan templates

4.2. We will continue to develop the questions we will ask suppliers to answer when they duly justify their rollout plans. We will work with DECC to align these as much as possible with the questions they ask suppliers.

4.3. We will hold a supplier workshop in autumn 2014 to refine the final set of questions with suppliers.

Lessons learnt from dry run submissions

4.4. In December 2014 we will issue an information request asking suppliers to submit dry run rollout plans in January 2015 and dry run progress reports in 2016.

4.5. Following the submission of dry run rollout plans, we will review the templates and consider any changes we need to make to them.

Wider rollout monitoring

4.6. At the autumn 2014 supplier workshop mentioned above, we would also refine the final set of questions we intend to ask as part of our wider rollout monitoring.

4.7. In 2015 we will reassess whether there are any additional questions we want to formally monitor on an annual basis and whether the existing questions are fit for purpose. We would expect to consult on any significant changes to the questions we plan to ask.

Appendix 1 - Glossary

A

Annual Milestones

An annual milestone is defined in the relevant licence conditions as the percentage of a supplier's domestic and smaller non-domestic customers who will have a smart meter installed by the end of each calendar year

C

Central Delivery Body

The Central Delivery Body is a new organisation responsible for delivering consumer engagement during the smart meter rollout. It has since been rebranded as Smart Energy GB.

D

Data and Communications Company (DCC)

This is a company that manages the data and communications to and from domestic consumers' smart meters

Department for Energy and Climate Change (DECC)

The UK government department responsible for energy and climate change policy

Distribution Network Operator (DNO)

A DNO is a company which operates the electricity distribution network which includes all parts of the network from 132kV down to 230V in England and Wales (In Scotland 132kV is considered to be a part of transmission rather than distribution so their operation is not included in the DNOs' activities)

Domestic customer

A customer that uses energy for non-commercial purposes

I

In-Home Display (IHD)

A device capable of displaying near real-time information on energy consumption in a readily accessible form

L

Large Supplier

In the context of our consultation, a large supplier is a licensee that supplies gas/electricity to more than 250,000 Domestic Customers

P

Pre-Payment Meter (PPM)

A meter that supports pre-payment. Pre-payment is a method of payment where consumers pay for credit to their account. Their meter deducts credit from the account based on the amount of energy used by the consumer and the rates that apply to the consumer

Priority Services Register

Under their licences, suppliers and electricity distributors (DNOs) must maintain a 'Priority Services Register' (PSR) – and put consumers from certain eligible groups on the register when they request it. The eligible groups are people of pensionable age, disabled people and those who are chronically sick.

S

Small Supplier

In the context of this consultation, a 'small' supplier is a licensee that supplies gas/electricity to fewer than 250,000 Domestic Customers, or supplies gas/electricity only to Non-Domestic Customers

Smart Energy Code (SEC)

The SEC is a new industry code which is a multiparty agreement which will define the rights and obligations between the Data and Communications Company (DCC) and the users of its services Suppliers, network operators and other users of the DCC's services who will all need to comply with the Code

Smart Meter

Smart meter is a meter which, in addition to traditional metering functionality (measuring and registering the amount of energy which passes through it) is capable of providing additional functionality, for example two way communication allowing it to transmit meter reads and receive data remotely. It must also comply with the technical specification set out by the Smart Metering Programme

T

Theft Risk Assessment Service (TRAS)

The objective of the TRAS is to develop, maintain and operate a service in a consistent manner across all Electricity Suppliers, such that any Customer that



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undertakes Theft of Electricity will have a reasonable chance of being detected, regardless of which Electricity Supplier supplies them.

Appendix 2 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

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