



Making a positive difference  
for energy consumers

To all suppliers and other  
interested parties

Direct Dial: 020 7901 1862

Email: [smartmetering@ofgem.gov.uk](mailto:smartmetering@ofgem.gov.uk)

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Dear stakeholder,

## **Smart Meter Rollout: Open letter on Energy Suppliers' Delivery of the Rollout and Regulatory Obligations**

### **Current smart meter rollout context**

In the last year, energy suppliers have continued their recovery from the impacts they faced due to COVID-19. In 2021 this still brought some challenges to rollout delivery such as impacts on customers and staff through self-isolation, which suppliers have continued to manage. From the second half of 2021 onwards, the energy retail market has faced significant turmoil due to record high gas prices in the wholesale market, with a number of suppliers exiting the market as a result. While the retail market still faces challenges in light of this, the rollout of smart meters has continued.

With the headline smart meter rollout 'all reasonable steps' obligation<sup>1</sup> deadline having passed on 31 December 2021 and with a new headline rollout obligation<sup>2</sup> having commenced on 1 January 2022, we are publishing our annual letter on smart meter rollout delivery and regulatory obligations.

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<sup>1</sup> Electricity Supply Licence SLC 39 & Gas Supply Licence SLC 33.

<sup>2</sup> Electricity Supply Licence SLC 39A & Gas Supply Licence SLC 33A

Smart metering brings immediate benefits to consumers, helping them to take control of their energy usage, and is a key enabler for the transition to a more flexible energy market and the delivery of net zero emissions by 2050. Ofgem's role is to provide regulatory oversight of this rollout, ensuring consumers' interests are protected, and to monitor and engage with suppliers where we believe a supplier may be in breach of the relevant licence obligations<sup>3</sup>.

This letter sets out our observations on the rollout and wider regulatory obligations. These observations are relevant to all suppliers, regardless of size.

### **Smart meter rollout regulatory framework**

As of 1 January 2022, a new regulatory framework has come into effect following the deadline for the headline 'all reasonable steps' obligation passing on 31 December 2021.

#### 'All Reasonable Steps' obligation

Under the 'all reasonable steps' obligation, energy suppliers were obligated to take all reasonable steps to ensure that a smart meter was installed at all of its domestic and small non-domestic premises by 31 December 2021. Given the importance of this obligation, Ofgem has been monitoring supplier progress carefully throughout the rollout and has been preparing to undertake our assessment of supplier compliance once the deadline passed. To support this assessment, Ofgem asked all suppliers to report to us on their delivery under this obligation. The last tranche of that information was submitted to Ofgem at the end of January 2022. We are currently progressing our assessment of the all reasonable steps obligation. We will have regard to our published Enforcement Guidelines when deciding whether to open an enforcement case.

#### Rollout obligation from 1 January 2022 onwards

At the start of 2022, a new 4-year rollout obligation<sup>4</sup> commenced which suppliers must comply with. The obligation will run until the end of 2025 and will see all suppliers in the market subject to binding annual installation targets. A failure to achieve the binding annual installation targets will be a breach of a supplier's licence. The overall framework was confirmed by BEIS in June 2020<sup>5</sup> and the targets and tolerances for the first two years of the obligation were confirmed in June 2021<sup>6</sup>. This has given suppliers significant time to plan for their delivery under this obligation.

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<sup>3</sup> Enforcement action will be considered where an investigation identifies a breach in accordance with our [Enforcement Guidelines](#)

<sup>4</sup> Electricity Supply Licence SLC 39A & Gas Supply Licence SLC 33A

<sup>5</sup> [Government decision on post-2020 framework](#)

<sup>6</sup> [Reporting thresholds](#)

We recognise that from the second half of 2021 onwards the energy retail market has been under significant pressure with a number of suppliers exiting the market and going through the Supplier of Last Resort (SoLR) process. We welcome energy suppliers' ongoing engagement in the process and their participation to date. Suppliers who have taken on a significant amount of customers through the SoLR process prior to 31 December 2021 are likely to have seen an increase in their overall targets for 2022, which will have impacted on their plans for their smart meter rollout delivery.

We recognise that this will be a challenge for some suppliers, and we note that it is one we expect to see them actively working to meet. Suppliers should be adjusting their plans for delivery accordingly and with 9 months of the first rollout year under this obligation still to go, we consider that suppliers have enough time to do this. We will be developing a template for supplier reporting on their performance against their targets. Within that template, we anticipate that we will include a section where suppliers will be able to reflect on the challenges they have faced in rolling out smart meters throughout the year, and it will be open to suppliers to reflect on how taking on customers through SoLRs may have affected their targets. However, this does not remove or otherwise dilute the requirement for suppliers to achieve the binding annual installation targets. Where we obtain information indicating that a supplier is contravening, or appears to be contravening, a relevant condition or requirement we will carefully consider the circumstances, whether it is appropriate to take enforcement action and what form that enforcement action may take by reference to our enforcement guidelines. We will provide suppliers with an opportunity to input on the template before issuing formally for submission in January 2023.

In addition, we note that where a supplier fails to achieve one or both of its installation targets, in deciding whether to pursue action, we will have overall regard to our Enforcement Guidelines<sup>7</sup> including the following factors:

- The point at which the supplier became aware that it was tracking behind in terms of meeting one or both of its targets.
- What actions the supplier took to try to mitigate the impact of the issues the supplier was experiencing; and
- The extent to which the issue was within the supplier's control.

Furthermore, we note that by 31 January 2022, all suppliers were required to report their 2022 targets to Ofgem and as a further new requirement were obligated to publish these targets on their websites and submit the link to Ofgem<sup>8</sup>. While we recognise that this was the first year suppliers were required to report on the new obligation and to publish their targets, not all suppliers did this to the required timelines or to the required standard. We

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<sup>7</sup> [The Enforcement Guidelines | Ofgem](#)

<sup>8</sup> Electricity Supply Licence SLC 44A & Gas Supply Licence 38A

have been engaging with suppliers directly on this issue but would note that the requirements on reporting to the Authority are set out in the licence. When suppliers come to report to us at the end of January 2023, we expect suppliers to fully meet the obligations set out in licence<sup>9</sup>. We have published suppliers' links to their current targets on our website<sup>10</sup>.

### **Rollout Delivery**

With suppliers now required to meet set installation targets, it is of vital importance that suppliers continue to optimise delivery of the rollout to customers. Maximising successful installations has always been critical to the delivery of the smart meter rollout and we would note that it will likely be a vital component with regards to achieving targets for 2022. In previous open letters published by Ofgem<sup>11</sup>, we have highlighted the importance of customer engagement, opening up eligibility and maximising installations, all of which remain highly relevant as suppliers continue to deliver under the new rollout framework.

Given the current stage of the rollout, suppliers should have the capacity and flexibility of resource to meet smart meter demands. Suppliers are accountable under their licence for delivery, including the quality and safety, of the installation process, whether that is carried out by in-house or third-party installers. We note that we would not expect installer capacity to be a constraint on the rollout for any supplier.

In previous open letters we have highlighted the need for suppliers to reduce installation abort rates in order to maximise successful installations. This is an area which has previously seen a significant degree of variation in performance across suppliers, and this continues to remain the case. In 2021 the best performers were able to achieve a total abort rate of approximately 14%, which covers aborted installations due to technical issues as well as customer-led aborts. This is in contrast to the average abort rates of approximately 23% across the large suppliers. Abort rates is an area that suppliers should be able to impact by focusing on the end-to-end process and optimising the customer journey and active appointment management, particularly in regard to customer-led aborts. Suppliers should have a substantial focus on driving improvements in this area, as every installation appointment attended is an opportunity to secure progress towards this year's mandatory installation targets.

Another key aspect suppliers should focus on is cancellations, including customer and installer driven, and the re-booking of cancelled and failed appointments. Suppliers should be monitoring cancellations and tracking the reasons behind why these are taking place in

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<sup>9</sup> Electricity Supply Licence SLC 44A and Gas Supply Licence SLC 38A

<sup>10</sup> [2022 Energy Suppliers' Installation Targets](#)

<sup>11</sup> Ofgem Smart Meter Rollout Open letters in [June 2019](#), [June 2020](#) and [March 2021](#).

order to understand any key drivers in this area. Suppliers should also have robust re-booking processes in place to ensure any failed appointments are re-scheduled in a timely and effective manner. Suppliers should be using their data to continually review performance in these areas and drive improvements wherever possible.

### Radio Tele Switch

Currently the technology which operates the Radio Tele Switch meters (RTS) is scheduled to be switched off in March 2023. We are aware many suppliers already have a suitable meter in place for these customers, however we are also aware of some wider issues. We fully expect all of industry to be proactively working towards solutions to any potential barriers so that consumers are not left exposed to any potential detriment.

Energy suppliers are obligated to ensure all customers have appropriate metering arrangements in place and suppliers should be working hard to ensure all customers with traditional RTS meters are offered a smart meter prior to the switch off. If a workable industry solution cannot be reached in a timely manner prior to the cut-off date, then we would expect mitigating arrangements be prepared and implemented well in advance of this date.

### **Other Regulatory Obligations**

#### New and Replacement Obligation

The New and Replacement Obligation (NRO) requires energy suppliers to take all reasonable steps to install a compliant smart meter (i.e. a SMETS2 meter) wherever a meter is replaced or where a meter is installed for the first time (e.g. in new premises).<sup>12</sup> In 2021, industry has made further progress in developing required SMETS2 solutions with a large percentage of customers now eligible for SMETS2. Whilst we recognise that there still remain a small number of specific circumstances where installing smart meters presents challenges, continuing to reduce the number of non-SMETS2 installations should be an ongoing area of focus for all suppliers. We also expect suppliers to continually review ineligible customer groups and put in place processes for installations when a solution becomes available.

We would note that in 2021 the level of traditional meter installations appeared to account for the majority of non-SMETS2 installations for most large suppliers. While it is not mandatory for customers to have a smart meter installed, we remind suppliers that they are obligated to take all reasonable steps to ensure that the meter they install is a SMETS2 meter. We expect suppliers to work through objection handling and track the reasons

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<sup>12</sup> Electricity Supply Licence SLC 39.7 & Gas Supply Licence SLC 33.7

behind why non-SMETS2 meter installations are taking place in order to overcome any key issues. In the event that a non-SMETS2 meter is installed in a property, suppliers should be able to provide evidence demonstrating why each of these installations was in the best interests of the customer.

We would also note that, not only is it critical that consumers receive the industry standard meter, suppliers should also consider the importance of installing meters that count towards the new framework targets. We have been, and will continue to, engage directly with suppliers in this area to ensure suppliers continue to bring down the volume of non-SMETS2 meters they are installing.

### Enrolment & Adoption

The Enrolment and Adoption obligation requires suppliers to take all reasonable steps to ensure that their SMETS1 meters become eligible for enrolment.<sup>13</sup> Once eligible, suppliers must take all reasonable steps to enrol their SMETS1 meters into the Data Communication Company (DCC) within 12 months of the meter becoming eligible. Suppliers are also required by their licence to take all reasonable steps to ensure all unenrolled SMETS1 meters are replaced with a SMETS2 meter by the end of the year, 31 December 2022.

SMETS1 enrolment is of fundamental importance as it is the route to ensuring that SMETS1 customers who have lost smart functionality when they have switched have this restored and that those customers that switch supplier in future retain their smart functionality. This is vital as it will enable customers to realise the enduring benefits of smart metering. Since the end of July 2019, the DCC and suppliers have been enrolling SMETS1 meters continually, with significant progress being made thus far. Approximately 8 million SMETS1 meters have been enrolled to date and we expect this to continue at scale throughout 2022.

To date a large percentage of Initial Operating Capability (IOC) and Middle Operating Capability (MOC) cohorts have been enrolled, with the enrolment of the Final Operating Capability (FOC) cohorts progressing and the enrolment of dormant meters by DCC expected to complete shortly. We expect those suppliers with remaining IOC and MOC meters to enrol, who have already had longer than the relevant 12-month window, to urgently work with the DCC to enrol them whilst taking into consideration the capacity required on DCC's systems to enrol FOC meters during this time.

This is a critical year for SMETS1 enrolment as it is the final year of the programme and suppliers should be working towards completing the migration of SMETS1 meters by the

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<sup>13</sup> Electricity Supply Licence SLC 54 and Gas Supply Licence SLC 48

end of this year. Suppliers should also be planning to replace unenrolled SMETS1 meters with SMETS2 meters by the end of this year in line with the relevant licence obligations<sup>14</sup>.

#### Operational Licence Condition

The Operational Licence Condition (OLC) obligation requires suppliers to take all reasonable steps to operate smart meters in smart mode<sup>15</sup>. With the continued roll out of SMETS2 meters and with the SMETS1 enrolment and adoption programme nearing its conclusion, it is critical that suppliers ensure customers have a smart meter that operates in smart mode.

Suppliers should have the relevant processes and systems in place to be able to operate smart meters in smart mode in various scenarios, including: SMETS1 meters enrolled into the DCC; active SMETS1 meters gained through churn; and dormant SMETS1 meters gained through churn. We also expect suppliers to work through any technical difficulties to enable them to operate smart meters in smart mode.

Whilst we have seen good progress being made by industry in this area, we are monitoring progress closely and we would note that there remains room for improvements in supplier performance in this area. As highlighted in previous open letters<sup>16</sup>, we expect suppliers to be demonstrating compliance with this obligation. We intend to continue to engage directly with suppliers about performance in this area. Furthermore, to support consumers in realising the benefits of enrolment, in particular where their meter was previously dormant, we expect that suppliers will provide timely information to their customers following the enrolment of their smart meters.

All SMETS2 meters should be operated promptly in smart mode both upon installation and upon gaining a meter on churn. Suppliers should have the right processes in place to correctly identify where they have gained a SMETS2 meter through churn and should be working through any technical difficulties to enable the supplier to operate the meter in smart mode. Ensuring that customers retain their SMETS2 smart functionality upon churn should be a key focus for suppliers and we will engage directly with suppliers whose performance in this area needs to improve. Where a supplier has not commissioned the meter immediately upon installation, suppliers should have processes in place to ensure that the meter is subsequently connected to the DCC and operated within a timely manner.

Separately, we would also note the importance of ensuring meters are kept up to date with relevant firmware upgrades. Suppliers should ensure they are aware of any requirements

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<sup>14</sup> Electricity Supply Licence SLC 54 and Gas Supply Licence SLC 48

<sup>15</sup> Electricity Supply Licence SLC 49 and Gas Supply Licence SLC 43

<sup>16</sup> Ofgem Smart Meter Rollout Open Letters [March 2021](#) and [June 2020](#)

to keep meters compliant and take steps to ensure any necessary firmware upgrades are implemented in a timely manner.

### Smart Metering Installation Code of Practice

The Smart Metering Installation Code of Practice (SMICoP) aims to ensure that consumers receive a high standard of service throughout the installation process and can use and benefit from their smart metering equipment.<sup>17</sup>

Supplier compliance with the requirements of SMICoP<sup>18</sup> is monitored through measures including a customer survey of the installation experience. Ofgem will be reviewing SMICoP performance on both a quarterly and annual basis going forward. Our recent annual review of customer survey results (for the period Q1 2021-Q4 2021) has identified some suppliers performing at a lower level when compared to the top performing suppliers in some areas. This variance in performance is particularly prominent in the provision of energy efficiency guidance to customers following the installation of their smart metering equipment. Offering tailored energy efficiency guidance and demonstrating the functionality of the In Home Display (IHD) during the smart meter installations is a crucial part of the customer journey. This process helps maximise the benefits of the rollout for consumers and their ongoing engagement with the retail energy market. We are writing to some suppliers asking them to set out their plans for improvement, and we will monitor their progress with this. We will continue to monitor supplier SMICoP performance closely to help ensure an improved installation experience for consumers.

We would also note that access to information on energy usage through an IHD brings significant consumer benefits. We expect suppliers to ensure they are able to offer IHDs that present information in a way that can be easily accessed by all consumers, including those with sight and dexterity impairments.

### Meter Asset Arrangements

When gaining a smart customer, suppliers are obligated to take all reasonable steps to enter into an agreement with the Meter Asset Provider (MAP) for that meter<sup>19</sup>. This topic has been raised by us previously in open letters<sup>20</sup> and we remain in contact with stakeholders from industry regarding the efficiency and operation of this process. We are aware that there continues to be difficulties for both parties – MAPs and suppliers – to reach agreements in all circumstances in the required timeframes.

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<sup>17</sup> [SMICoP document](#)

<sup>18</sup> Electricity Supply Licence SLC 41-42 & Gas Supply Licence SLC 35-36

<sup>19</sup> Electricity Supply Licence SLC 50 & Gas Supply Licence SLC 44

<sup>20</sup> Ofgem Smart Meter Rollout Open Letters in [June 2019](#), [June 2020](#) and [March 2021](#).



Our expectation is that all industry parties should work constructively together to ensure that the market operates effectively. We also expect to see a marked improvement in the overall performance in this area of the market going forward.

We have aimed to provide constructive feedback to suppliers and the market more generally to support the realisation of the benefits of smart metering for consumers through suppliers' compliance with their obligations. As the rollout progresses, we will continue to monitor the progress of all suppliers with respect to their licence obligations.

Yours faithfully,

**Anna Stacey**

**Interim Head of Metering & Market Operations**