

To: Regulatory Directors and CEOs, Gas
and Electricity Supply Licence Holders

Date: 19 January 2024

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Dear Stakeholders,

Smart Meter Rollout: Open Letter on the roll out of smart meters for Prepayment and Radio Teleswitch (RTS) customers

The smart meter rollout continues to progress across Great Britain with approximately 60% of all premises having a smart meter installed. Smart meters bring immediate benefits to consumers, helping them to take control of their energy usage, gain access to more dynamic tariffs, bring an end to estimated bills and enable the transition to a more flexible energy market. Ofgem's role is to provide regulatory oversight of rollout delivery, including monitoring energy suppliers' compliance with their smart metering licence obligations and working to ensure the best possible outcomes for consumers.

In this letter, we set out our observations on the roll out of smart meters for traditional prepayment and RTS customers. It is our view that smart meter installations for these customers have progressed more slowly than for standard credit customers, resulting in a lower overall coverage ratio of smart meters for both these groups. We are concerned about the slower progress in these areas as it represents a substantial risk to vulnerable consumers with these meter types.

Prepayment

Prepayment meters offer consumers a way of paying for energy in advance, which can be particularly useful when managing budgets or paying off arrears. Traditional prepayment meters usually require a key or a card to be physically "topped up" at a shop to add credit to the meter. However, smart prepayment meters offer a range of additional benefits, both to the consumer and energy suppliers.

Smart prepayment meters enable consumers to improve their energy efficiency through real time usage information. They allow consumers more options to top-up, including online via an online account or mobile application, via phone and in shops. Smart prepayment meters

allow suppliers to identify early signs of customer self-disconnection and take proactive measures to support customers. They also enable the customer to be switched to a credit tariff without a further change of meter equipment where this is agreed between the customer and supplier. We will be writing to individual suppliers setting out our expectations regarding the replacement of traditional prepayment meters.

As noted, the percentage of premises with a smart meter in Great Britain is approximately 60%, however this is not the case for prepayment premises. There is a large variance between the larger suppliers' smart prepayment meter customer portfolios, which causes us concern. In addition, large energy suppliers are required to state the number of smart prepayment meter installations they plan to conduct in each year of the current target framework.¹ In 2022 most large suppliers did not achieve their own forecasted prepayment installations. We expect a similar outcome for 2023 when suppliers report to Ofgem at the end of this month.

In our 2025 Consumer Vulnerability Strategy² we outlined specific outcomes we wanted to see that directly link to prepayment consumers. Access to affordable energy and suitable services, support for consumers who are at risk of self-disconnecting and a decrease in the number of self-disconnections were all outcomes which are highlighted in the strategy. There are a number of factors why PPM customers self-disconnect which creates a concern about the impacts this could have on the consumers' health and wellbeing. Consumers who remain on traditional prepayment meters face a higher risk of detriment if they self-disconnect as they are not able to benefit from early detection by their suppliers, and the provision of more timely additional support.

We consider consumers from a lower socioeconomic background or in vulnerable situations, who remain on traditional prepayment meters are being left at a disadvantage, as they are unable to take advantage of the benefits smart meters bring. We are concerned that prepayment consumers, particularly those in vulnerable situations, have not received the benefits of smart meters at the same rate as credit customers, and we expect to see a greater focus from suppliers in delivering smart meters to these customers.

Radio Teleswitch (RTS)

The RTS meter is a type of electricity meter that operates via long-wave radio technology. The service is a legacy industry-run service which supports versions of multi-rate, or other complex meter types with certain functions such as switching between peak and off-peak rates or turning on heating or hot water. Meters are switched between rates via a signal transmitted from radio masts, with many of these meters located in central & northern Scotland, as well as some areas of England and Wales.

The technology which supports RTS meters is due to close down on 31 March 2024, however, we are aware that industry is currently in active discussions to extend the

¹ Electricity Supply Licence SLC 44A and Gas Supply Licence SLC 38A
<https://www.ofgem.gov.uk/publications/licence-conditions>

² Ofgem (2023), Consumer Vulnerability Strategy 2025, <https://www.ofgem.gov.uk/publications/consumer-vulnerability-strategy-2025>

agreement that underpins RTS further. When an extension is agreed by industry, widely expected to be until mid-2025, we expect all RTS meters to be replaced at least 3-4 months in advance of the prospective close down date. We will be writing to individual suppliers, following confirmation of the proposed extension setting out our expectations for when all RTS replacement activity should be concluded to avoid any prospective consumer detriment or further delay.

Smart meters offer consumers with RTS meters a long-term solution as the functionality of switching between rates will be controlled via the smart meter and will not be reliant on the current legacy service. It will also enable consumers with these types of meters access to smart specific products and tariffs.

The roll out of smart meters for RTS consumers has progressed at a considerably slower pace than expected. In our recent Request for Information (RFI) in relation to RTS replacement progress, suppliers attributed this to factors including complex metering arrangements, issues with identifying RTS consumers (due to Customer Relationship Management issues) and general consumer apathy around replacing and upgrading their current metering arrangements. However, it was also demonstrated that these issues were only contributing factors in approximately 10% of RTS meter replacements.

There are approximately 900k homes in Great Britain that are reliant on RTS meters with many still to be replaced.³ Our analysis of RFI responses has shown significant variation in supplier RTS meter replacement progress. Some suppliers have performed better than others when replacing RTS meters with a smart meter, with some suppliers replacing over 75% of their RTS portfolio, whilst others have replaced less than 10%.

Supporting and protecting consumers in vulnerable situations is a key priority for Ofgem and is aligned with our statutory duty. Our commitment is reflected in our Consumer Vulnerability Strategy 2025, where we set out our focus themes and outcomes that we expect to see as part of our priorities for improving outcomes for vulnerable customers. One outcome stated in this strategy is for products and services to be designed to meet the needs of a wide range of consumers, including the most vulnerable. It was outlined that consumers with restricted meters dependent on the time-of-day energy is used, face confusing tariffs and barriers to information & switching. Smart meters will help address these issues and improve the overall consumer experience.

We are concerned about the lack of progress in this area. We consider that consumers who remain on traditional RTS meters are not only being left at a disadvantage, as they are unable to take advantage of the benefits smart meters bring, but more importantly may be exposed to risks should their meter not be replaced prior to the closing of the legacy service. As indicated in a previous Open Letter⁴, smart metering equipment is available for the majority of RTS meters and as such, we would expect suppliers to be proactively identifying RTS consumers, as part of their overall smart meter rollout, and replacing these

³ Elexon. (2024), <https://www.elexon.co.uk/data/trading-operations-report/metering-data-trading-operations-report/>

⁴ Ofgem Smart Meter Open Letter in [April 2023](#)

meters in a timely and efficient manner to ensure these consumers do not experience any detriment associated with the expiration of this service.

Next steps

We will be monitoring supplier performance in these areas going forward and we expect to see a marked improvement in delivery of smart meters in both these categories.

Under Standard Licence Conditions of the Electricity and Gas Supply Licence respectively, energy suppliers are obligated to treat customers fairly, including those in vulnerable situations. Should we have concerns with a supplier's approach to delivery in these areas going forward, we will consider whether further action is appropriate.

We will be writing to suppliers directly on these issues in the near future.

Yours faithfully

Melissa Giordano

Deputy Director Retail Systems and Processes