



Making a positive difference
for energy consumers

National Gas Transmission
(NGT), Gas Distribution Network
Operators and Other Interested
Parties

Email: smartmetering@ofgem.gov.uk

Date: 26 September 2024

Dear Stakeholders,

We¹ published a consultation on 5 August 2024 which set out our policy proposals in relation to:

1. A possible further extension of the "Sunset Conditions" as detailed in Appendix 1² of the consultation document to 31 December 2025 and;
2. Pursuing further modifications (post December 2025) to deactivate the conditions that form part of the Gas Distribution Networks (GDNs) traditional gas metering licence conditions that constitute the obligations to provide Meter Provider of Last Resort (MPOLR) and Backstop Meter Provider of Last Resort (MPOLR) services.

The purpose of this document is to set out our conclusions on the above proposals and consultation on our proposed text relative to the licence modifications to extend the date of the Sunset Conditions. Having given full consideration to the consultation responses received, we have concluded that our next steps in respect of the proposals are:

1. To proceed with a statutory consultation containing our proposed licence modification text extending the Sunset Conditions to 31 December 2025. This consultation forms part of this document at [Page 12](#). We are seeking stakeholder views on this proposal.

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.

² [August 2024 Consultation Review of Gas Transporter traditional metering licence conditions Appendix 1](#)

2. To reassess the options and proposals regarding the licence conditions which form the MPOLR and BMPOLR obligations and consult with stakeholders again in due course.³

Background

In December 2019⁴ we made the decision to extend the end date of the Sunset Conditions to 31 December 2024 in line with the proposed end date of the current Targets Framework stage of the smart meter rollout. Following the Covid-19 pandemic and the extension to All Reasonable Steps⁵ obligation for suppliers to rollout smart meters to their customers resulted in a delayed start to the Targets Framework which gave suppliers binding targets to install smart meters and is currently due to end on 31 December 2025. Due to this the dates of the Sunset Conditions and the smart meter rollout became misaligned.⁶

We consider that it is important to ensure the protections for consumers remain in place for the duration of the current phase of the smart meter rollout and these remain in their existing format. This should also help provide Energy Suppliers and Licensees with the reassurance and clarity on what their obligations are for the duration of the rollout.

³ Review of Gas Transporter traditional metering licence conditions

⁴ [Decision on modifications to the Special Conditions and Standard Special Conditions of the Gas Transporter Licence held by National Grid Gas Plc and the Gas Distribution Network Operators](#)

⁵ [Smart Meter Targets Framework](#)

⁶ [Smart meter policy framework post 2020: minimum annual targets and reporting thresholds for energy suppliers - government response](#)

Part 1 - Conclusions on policy proposals on the future and next steps of Gas Distribution Networks (GDN)⁷ traditional metering licence conditions.

Introduction

Since the introduction of tariff caps in 2002⁸ on traditional gas metering by Transco, GDNs have been operating under a regulated metering regime. These tariff caps were originally implemented to help foster competition in the gas metering market and lower prices for consumers. The caps continued to apply to the GDNs and National Gas throughout our review of the regulation of gas metering during the transition to smart metering⁹.

Smart metering has become the default service offered by suppliers, and a wide variety of meter and metering service providers have entered the market resulting in increased competition. As suppliers have continued to rollout smart meters to their customers, traditional gas metering now makes up a minority of the gas meter market in the GB. However, in some instances there may be technical barriers which prevent a consumer from accessing smart metering and in these cases Suppliers may opt to utilise a traditional meter where appropriate for these customers. Although in these cases Suppliers may be required to evidence why a traditional meter was needed to ensure compliance with their smart metering licence conditions.

Background to our Conclusion

National Gas and the GDNs are obliged¹⁰ to provide traditional gas meters and metering services when requested to do so by a gas supplier, at a tariff not exceeding a regulated rate. This obligation is known as the MPOLR. National Gas has a further obligation as the BMPOLR, which requires it to comply with any reasonable request by a GDN to provide, install and maintain a traditional domestic gas meter. This allows a GDN who may not have significant metering capability to use the backstop provider who may benefit from economies of scale. These obligations were originally put in place to support the provision of metering services during the transition to smart meters and ensure appropriate obligations were in place on network companies in respect of the provision and pricing of metering services.

⁷ References to "GDN" and "Licensees" are used interchangeably in this document and refer to the holders of [Gas Transporter Licences](#).

⁸[Transco price control and NTS SO incentives 2002 07 proposed licence modifications](#)

⁹ [Decision and further consultation on the regulation of traditional gas metering during the transition to smart metering](#)

¹⁰ Gas Transporter Standard Special Condition [B.7 Provision of Meters](#) and [D17. Provision and Return of Meters](#)

On 2 April 2019, the Secretary of State issued a direction to all holders of an electricity or gas supply licence. This directed and specified the activation of the New and Replacement Obligation (NRO) in the Gas and Electricity Supply Licences on 30 June 2019, which placed an obligation on energy suppliers to take all reasonable steps to install a compliant smart meter (ie a SMETS2 meter) where a meter is replaced or where a meter is installed for the first time. The NRO direction also disapplied the GDNs licence conditions which require them to provide traditional meters. This resulted in the removal in whole or in part some of the Licensees' obligations relating to MPOLR and BMPOLR because it was anticipated that when the NRO was activated that there would be a significantly higher penetration of smart meters.

To ensure continued access to traditional gas metering and to ensure consumers who need this were protected we proposed to reinstate and extend these licence conditions. In the following consultation and subsequent decision¹¹ this led to the reinstatement of the licence conditions which were removed upon the activation of the NRO and to extend the sunset conditions to 31 December 2024 the expected end date of the smart meter rollout targets framework¹².

Suppliers are continuing to progress the smart meter rollout and removing traditional gas meters on a daily basis reducing the market share of traditional gas meters. Despite traditional gas metering no longer forming the majority share of the gas metering market these obligations require GDNs still maintain full market coverage

The current end date of the smart meter targets framework is 31 December 2025. Smart meters have still not reached full market wide coverage, and the rollout is ongoing. To ensure that the same levels of traditional metering support from the GDNs remains in place as has been for the duration of the rollout so far, we made the decision to consult on a proposed extension.

The purpose of our August 2024 consultation was to seek views on our proposal to pursue an extension of the Sunset Conditions which are currently due to expire on 31 December 2024, and our proposal to disapply the licence conditions which create the MPOLR and BMPOLR obligation.

¹¹ [Decision on modifications to the Special Conditions and Standard Special Conditions of the Gas Transporter Licence held by National Grid Gas Plc and the Gas Distribution Network Operators](#)

¹² [Smart meter policy framework post 2020: minimum annual targets and reporting thresholds for energy suppliers - GOV.UK \(www.gov.uk\)](#)

Responses to Consultation

We received seven responses to our consultation; these responses were non-confidential and have been published alongside this decision.

In our consultation we asked the following 4 questions;

Question 1: Do you agree with our proposed extension of the Sunset Conditions set out in Appendix 1 to 31 December 2025?

Question 2: Do you agree with our proposal to modify the licence conditions in Appendix 2 such that they cease to apply as of 1 January 2026?

Question 3: Where a GDN continues to hold traditional metering stock, what are your views on the ways in which these assets could or should be managed, and charges levied, following expiry of the Sunset Conditions and the deactivation of the licence conditions set out in Appendix 2? Do you have concerns with the Consultation - Review of Gas Transporter traditional metering licence conditions proposed removal of the tariffs within those licence conditions and if so, what and why?

Question 4: Do you have any other comments or views on our proposals?

Question 1 Summary of Responses

Comments regarding our proposal to pursue an extension to the Sunset Conditions

The majority of responses were in favour of our proposal to pursue an extension of the Sunset Conditions to 31 December 2025. However, one response noted that because some GDNs were no longer providing these services they believe that an extension for these parties is unnecessary. This was also supported by another respondent who considered that modifications to these licence conditions should be done on a Licensee-by-Licensee basis and in these cases if applicable the licence conditions should be allowed to expire earlier.

In the subsequent decision following our November 2019 consultation, we stated the intent to maintain these licence conditions for the duration of the smart meter rollout. We have carefully considered all responses, and our view remains that it is appropriate for these to be in place for all license holders for the duration of the rollout. We acknowledge that one respondent highlighted a residual risk relating to the request for a last resort being sent to them rather than National Gas should these licence conditions remain in place for them. After considering this, on balance, it is our view that this proposal will not increase the risk or require any additional management of this beyond what Licensees will already have in place. Licensees should have processes in place to handle any requests that may come to them for a last resort meter. As the MPOLR obligations have existed for some time now and

we do not at this time propose any changes to this in the extension to 31 December 2025 there should be no additional burden on GDNs to manage any risks above what they already have in place.

We have carefully considered the comments on reviewing these licence conditions on a Licensee-by-Licensee basis. Our view is that these licence conditions should remain in place for all licence holders for the duration of the smart meter rollout. This is because we consider that a Licensee-by-Licensee approach may cause confusion in the market for Suppliers requesting this service as opposed to the licence conditions applying in full for all Licensees until the same date.

One comment suggested linking the Sunset Conditions to a non-timebound factor such as the percentage of smart meters in the market or completion of the rollout. We consider this would not be appropriate as it would create a level of uncertainty and potentially an undefined end to the service. This could cause difficulties to licensees in forecasting costs and resource for MPOLR and BPOLR future needs. This may also lead to uncertainty for Suppliers in managing their meter portfolio, whereas a defined end date could allow suppliers to pursue and finalise commercial agreements with metering providers and to help facilitate continuity of traditional meter services in time for this end date.

Our Position

Based on the responses received we remain of the view to extend the Sunset Conditions to 31 December 2025 ensuring that these remain in place for the current duration of the smart meter rollout. To that end, we have included a statutory consultation as part of this document, and welcome stakeholders' further views on the proposals contained with it.

Question 2 Summary of Responses

Comments regarding our proposal to pursue the disapplication of MPOLR and BPOLR from 1 January 2026

The majority of consultation respondents were in favour of our proposal to disapply the remaining MPOLR and BPOLR licence conditions on 1 January 2026. One respondent who was in favour of the disapplication of these licence conditions believed that as traditional meters no longer represent the majority of the market, they felt it inappropriate to maintain regulation which restricts only National Gas and the GDNs while other market participants are free to engage in the same activities on a commercial basis.

One respondent who was in favour cited the need to take into consideration any future developments in government post-2025 smart meter policy that may necessitate the

continuation of further review of traditional metering. We agree with the respondents' comments that there is a need to continue to review this should there be any decisions which may impact these licence conditions. However, at this time there is no defined post-2025 policy and whilst at present we consider it appropriate that the licence conditions disapply from 1 January 2026, we are cognisant that government policy on smart metering may be subject to change. We agree that further consultation and assessment on this proposal is appropriate.

It was also highlighted by another respondent that concerns have been raised over many years about the declining availability of traditional meters. They felt it would be an appropriate time to consider longer-term solutions to these issues, rather than the prospect of further extensions should the rollout be extended further. We agree with the respondent's concern that engagement on these issues should be undertaken as soon as possible due to the impact on consumers who rely on these traditional metering services either through choice or technical barriers. We have engaged with stakeholders to seek views on the future of these licence conditions now in advance of any post-2025 smart metering policy to ensure that stakeholders have the opportunity to raise any concerns or comments at an early stage. This will allow these to be taken into consideration and help shape the future of these obligations whether they end at the current stage of the smart meter rollout or continue in some format as part of any post-2025 smart meter policy.

Two respondents were not in favour of disapplying the following obligations,

- Standard Special Condition D13. Provision of services for specific domestic customer Groups.
- Standard Special Condition D14. Arrangements for access to premises.
- Standard Special Condition D16. Reporting on Performance.

However, they were in favour of disapplying;

- Standard Special Condition D19. Non-discrimination in the provision of metering activities.

Their reason for this is that, in their view, these conditions apply to more than just the licensees metering activities and relate to their wider obligations. We note that this was not highlighted by other Licensee consultation respondents.

We acknowledge the concerns raised by the respondents and we are of the view that this proposal will benefit from further engagement and review. We consider that this will help ensure that sufficient protections for consumers are in place regardless of changes to the

MPOLR and BPOLR obligations on suppliers. However, we note that D13, D14 and D16 are mirrored in the Gas Transporter Licence¹³ which all GDNs are party to under;

- Condition 17: Provision of services for specific domestic customer groups
- Condition 18: Arrangements for access to premises
- Condition 21: Reporting on Performance.

Our Position

We consider that further assessment and review of these licence conditions is required before any next steps are and therefore, do not intend to proceed with a statutory consultation on this element at this time. To ensure that the impact of any changes is fully understood we intend to engage with stakeholders and undertake further consultation in due course.

Question 3 Summary of Responses

Cost Considerations

One respondent commented that as the numbers of installed traditional meters continue to decrease and any new traditional meters installed are likely to have a shorter life span and may result in less costs recovered or risking early termination fees if removed. We recognise this is a concern; however, energy suppliers have an obligation to take all reasonable steps to install a smart meter when a new meter is installed, or an existing meter is replaced. The NRO should ensure that the numbers of new meters installed are kept to a minimum, and early termination fees where suppliers are charged a fee to recover future meter rental costs if the meter is removed before the end of its lifespan are kept to a minimum.

Another respondent was of the view that there may be scope for Ofgem to ensure GDNs provide this service on a commercial basis with some form of cost protection for suppliers. This would ensure that these services remain in place if all GDN obligations end. We have carefully considered the comments made by the respondent. Currently Ofgem does not require any other metering service provider to provide these services on a commercial basis, as these are driven by market forces. Any requirement on a licensee by Ofgem to offer these services on a commercial basis would be an extension of the current regulated metering regime and would be at odds with our proposal to disapply the MPOLR and BPOLR licence conditions.

Responses to this consultation have highlighted that some GDNs have already ceased offering these metering services. However, responses from licensees still providing

¹³ [Gas Transporter Standard Licence Conditions \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/gas-transporter-standard-licence-conditions)

metering services have not given any indication that they would choose to cease all metering services following the disapplication of the licence conditions. While this remains a valid risk and therefore, we are mindful that any proposed modification to these obligations should be carefully considered so that consumers are appropriately protected in cases where they still require a traditional meter. On balance we consider that the existing New and Replacement obligations which originally terminated the MPOLR and BMPOLR obligations combined with the ability for the GDNs to offer these services competitively and manage existing meter stocks with other metering providers should ensure access to appropriate metering arrangements for consumers.

We stated in our original August consultation that, in our view, the proposal would not prevent GDNs from offering these services. The metering market has changed significantly since the introduction of these licence conditions and currently no other metering service providers are regulated in the same way as the GDNs. We do not currently consider it will likely be appropriate to regulate the GDNs commercial activities following the expiry of the Sunset Conditions. However, we are of the view that further consideration and consultation on the future of the MPOLR and BMPOLR obligations need to take place to take into account post 2025 smart metering policy.

Our Position

We have considered all responses relating to the management of traditional meters and costs should the MPOLR and BMPOLR licence conditions be disapplied. We are of the view that our proposal will not prevent nor stop traditional gas metering from being available. These proposals will ensure that this can continue to be offered at a competitive market rate and where there is demand we have not seen any evidence that this will not be met. However, we intend to revisit this as part of our further consideration and review of the BMPOLR and MPOLR obligations and will reconsult in due course.

Conclusions

Having considered all stakeholder representations we consider it appropriate to pursue an extension to the Sunset Conditions and we have therefore included a statutory consultation as part of this document, which sets out our proposed licence text and we welcome stakeholders views on these. We acknowledged in our previous decision to extend these licence conditions to 31 December 2024 that these licence obligations are not intended to be enduring and are an interim measure whilst the transition to smart metering is ongoing. Our view remains that a further extension will help ensure continuity while the smart meter rollout progresses into the final year of the target's framework. We consider it will provide protections to consumers who cannot access smart metering and help ensure that alternative options are in place for customers who can't access smart

metering such as those who may need Alt-HAN¹⁴ equipment or additional WAN solutions can continue to access traditional metering.

We remain committed to continuing engagement with stakeholders and intend to consult further in due course in relation to the remaining MPOLR and BMPOLR licence obligations. We will review further developments in the government's post-2025 smart meter policy and following engagement with stakeholders of licence conditions D13, D14 and D16.

¹⁴ [Alt-HAN Company](#)

Part 2 - Statutory Consultation to Modify if the Gas Transport Special and Standard Special Licence Conditions

We propose to modify the Gas Transporter Licence ('Licence') held by National Gas Transmission Plc ('NGT') in respect of the National Transmission System ('NTS'), Cadent Gas Limited, Northern Gas Networks Limited, Scotland Gas Networks Plc, Southern Gas Networks Plc, and Wales & West Utilities Limited ('the Licensees') pursuant to section 23 of the Gas Act 1986.

Alongside this letter, we have published a notice ('Notice') which details the proposed licence modifications.

As set out in [Part 1](#) of this letter we undertook a consultation on the future of the GDNs traditional metering licence conditions and concluded there is a need to extend the end date of the following licence conditions to 31 December 2025.

Applicable to National Gas Transmission (NTS)

- Standard Special Condition B7. Provision of Meters
- Standard Special Condition B8. Provision of Terms
- Special 9.16 Restriction of prices in respect of Tariff Capped Metering Activities

Applicable to all other GDNs (Cadent, Northern Gas Networks, Southern Gas Networks, Scotland Gas Networks and Wales and West Utilities)

- Standard Special Condition D17. Provision and Return of Meters
- Standard Special Condition D18. Provision of Metering and Meter Reading Services
- Special Condition 9.10 Restriction of prices in respect of Tariff Capped Metering Activities

In this document¹⁵ we set out our rationale for the modification proposals. We consider that this will help ensure continued access to traditional metering for the duration of the current phase of the smart meter rollout for consumers who require these meters. This will also provide clarity for licence holders providing these services and suppliers who need to access these services.

Summary of the proposed modifications

The Licence Conditions we are proposing to modify are listed below, with an explanation of the intent of our modifications:

¹⁵ Document refers to both Part 1 - Conclusions on policy proposals on the future and next steps of Gas Distribution Networks (GDN) traditional metering licence conditions and Part 2 Statutory Consultation to Modify if the Gas Transport Special and Standard Special Licence Conditions in full.

1. Standard Special Conditions applicable to all NTS licensees: Part B:

a. SSC B7 (Provision of Meters)

Extending the end date of this licence condition to 31 December 2025, ensuring NGT continues to be required to comply with any reasonable request by a relevant gas transporter to provide and install a traditional domestic gas meter, keep appropriate record of any disconnected meter and keep disconnected meters in safe custody in matters relating to suspected theft of gas, until end 2025.

b. SSC B8 (Provision of Terms)

Extending the end date of this licence condition to 31 December 2025, ensuring NGT continues to be required to provide terms and statements of charges relating to the provision of meters and metering services, and to submit these statements annually to the Authority for approval, until end 2025.

Special conditions to National Gas Transmissions (NTS) Gas Transporter Licence:

a. Special Condition 9.16 (Restriction of prices in respect of Tariff Capped Metering Activities)

Extending the end date of this licence condition to 31 December 2025 will ensure that a Tariff cap remains in place on certain metering activities by NGT until end 2025.

Standard Special Conditions applicable to all DN licensees: Part D:

a. SSC D17 (Provision and Return of Meters)

Extending the end date of this licence condition to 31 December 2025 ensures each GDN listed above continues to be required to comply with any reasonable request by a supplier to provide and install a traditional domestic gas meter or to refer this request to NGT to fulfil as the BMPOLR, to keep appropriate record of any disconnected meter, and keep disconnected meters in safe custody in matters relating to suspected theft of gas. It also subsequently ensures the GDNs are required to provide terms and statements of charges relating to their provision of meters and metering services and to submit these statements annually to the Authority for approval, as set out in Standard Special Condition D18, until end 2025.

b. SSC D18 (Provision of Metering and Meter Reading Services)

Extending the end date of this licence condition to 31 December 2025 ensures GDNs are required to provide terms and statements of charges relating to their provision of meters and metering services and to submit these statements annually to the Authority for approval until end 2025.

Special conditions applicable to the licensee (DN):

a. Special Condition 9.10 (Restriction of prices in respect of Tariff Capped Metering Activities)

Extending the end date of this licence condition to 31 December 2025 will ensure that a Tariff cap remains in place on certain metering activities by the GDNs until end 2025.

Next Steps

We propose that these Licence modifications are implemented by 31 December 2024 so that they are in effect for the annual submission of the metering charges statements from NGT and the GDNs.

We invite comments or views on the proposed modifications to the above gas transporter licences as set out in the accompanying Notice. Please send all responses or questions to smartmetering@ofgem.gov.uk by 24 October 2024.

We normally publish all responses on our website. However, if you do not wish your response to be made public, please clearly mark it as not for publication. We prefer to receive responses in an electronic form so that they can be placed easily on our website. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision is published.

Michael Walls

Head of Smart Metering & Retail Market Operations

Duly authorised on behalf of the

Gas and Electricity Markets Authority