



Graeme Kelly
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Emailed to smartmetering@ofgem.gov.uk

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Dear Graeme,

Smart meter Guaranteed Standards: Supplier Guaranteed Standards of Performance

Drax Group plc (Drax) owns two non-domestic retail businesses, Drax Energy Solutions and Opus Energy. Drax also owns and operates a portfolio of flexible, low carbon and renewable electricity generation assets – providing enough power for the equivalent of more than 8 million homes across the UK.

Drax is fully supportive of the smart meter rollout, which will benefit our customers and act as a key enabler to wider system transformation. Access to more granular data will provide us with improved analytics and allow us to diversify our offerings, so we are already commercially incentivised to install and maintain smart meters. While we understand some of Ofgem's concerns raised in the consultation, it is important that any new Guaranteed Standards are proportionate and work in harmony with the wider regulatory framework, while also taking into consideration issues that are outside suppliers' control.

It appears to us that the proposed Smart meter Guaranteed Standards have been primarily developed with domestic consumers in mind. The non-domestic market is very different, both in terms of customer traits and metering arrangements, with unique characteristics that don't appear to have been considered, for example, businesses who appoint their own agents directly with the supplier having no involvement in the relationship. While the proposals in the consultation may be beneficial to microbusinesses, we do not believe they are appropriate for larger business consumers. Moreover, extending the scope to include all Designated Premises would result in a substantial increase in aggregate GSOP payments, the costs of which would need to be recovered from consumer bills. We believe it would be inequitable to impose further costs on consumer bills to fund GSOP payments to larger business consumers who have the capability and leverage to resolve any issues themselves. We therefore believe that limiting the scope to microbusinesses is important, thereby aligning the new standards with the existing GSOP and targeting support appropriately.

Our responses to the questions posed in the consultation are appended. We'd be happy to discuss any aspect of our response with you further if that would be helpful.

Yours sincerely,

Matt Young

Group Head of Regulation
Drax Group plc

Appendix: Responses to consultation questions

- 1. Do you agree the 2015 regulations should be updated to reflect the current metering landscape and explicitly mention smart meters?**

Yes, this is an opportune time to update the regulations.

- 2. If yes, what areas of the 2015 regulations do you consider should be updated to reflect that they apply to smart metering?**

Definitions and general interpretations.

- 3. Do you agree that a new standard to ensure requests for smart meter installation appointments are fulfilled within a set number of weeks is right for consumers?**

We don't think a new standard is unreasonable, but definitions and exemptions must be clearly defined.

- 4. Do you agree that six weeks is an achievable timeframe to meet?**

In most cases we agree six weeks is achievable. However, there are circumstances that are outside suppliers' control, for example, consumers located in remote areas where agent availability means that appointment lead times are likely to exceed six weeks.

- 5. Do you agree this should apply to new/first time smart meter appointments only?**

Yes, we agree.

- 6. Do you agree that this should only apply in cases where a consumer is technically eligible to have a smart meter installed, and what do you consider those cases to be?**

We agree that the standard should only apply in cases where a consumer is technically eligible to have a Smart meter installed, but the regulations must be clear on what is classed as "technically eligible". An acceptable definition would be, "Where there is a solution available that would result in a working smart meter", however, it should not be assumed that industry data is an accurate indicator of technical eligibility. For example, a site may be flagged by the DCC as eligible for smart, but it may be evident from previous site visits that there is insufficient WAN.

- 7. Are there any other exemptions that should be considered with this standard?**

Non-domestic consumers who contract directly with their own agents should be exempt. In this scenario the supplier has no visibility or control of the appointment process, so should not be liable for compensation.

- 8. Do you agree a consumer could receive this compensation every six weeks should a supplier not be able to offer an appointment in that time frame?**

We agree with this proposal in principle. However, clarification is needed on exemptions for circumstances outside suppliers' control, e.g. where work on the network side is needed before an installation can proceed.

9. Are there any other factors not clearly outlined you think need to be considered?

We don't believe so.

10. Do you agree a new standard to ensure consumers receive compensation for failed smart meter installations, where the failure is within a supplier's control, is right for the consumer?

We don't think this is unreasonable.

11. Are there any scenarios within an energy suppliers' control leading to failed smart meter installations that have not been covered?

We're not aware of any scenarios other than those listed. However, it should be recognised that scenarios are only within a supplier's control if the customer has made them aware. For example, if the installer is unaware of specific health and safety issues on site, they may not arrive equipped with the necessary safety equipment.

12. Do you agree this should be applicable to both first time and replacement smart meter appointments?

We don't think this is unreasonable.

13. Do you agree there should be no restrictions on the number of times a consumer could receive this compensation?

We don't think this is unreasonable.

14. Are there any other factors not clearly outlined you think need to be considered?

Non-domestic consumers who contract directly with their own agents do not appear to have been considered. It should be clear that this standard does not apply to installations booked directly with a third-party without the supplier's involvement.

15. Do you agree that this standard would support customers with suspected problems with their smart meters, and IHDs?

In our experience, suppliers routinely investigate smart metering issues reported by customers, so we would question whether a significant benefit is likely to be realised by introducing this standard given the potential for unintended consequences which we highlight in our response to question 17.

16. Do you agree the best approach is to expand on the existing "Faulty meter" and "Faulty prepayment meter" standards?

We don't have a view on this.

17. Are there any other factors not clearly outlined you think need to be considered?

- It's unclear what would be considered "consumer's notification". For example, if a consumer queries their bill and mentions it seems higher since a smart meter was installed, would that be considered notification of a problem?
- Confirming the actions a supplier will take to "ensure the problem is resolved" will not always be possible, particularly if the problem is suspected to be with the network and outside suppliers' control. A more reasonable and workable expectation would be, "Confirming appropriate next steps".
- There is the potential for 'gaming', especially if there's no limit to the number of times a consumer can be awarded compensation for reporting a suspected problem or if this standard attracts media attention. We see this as a particular risk in the non-domestic market, where some TPIs might identify potential for a new revenue stream.
- This standard appears to overlap with the "Smart meters not operating in smart mode" standard, opening up the opportunity for duplicate payments.

18. Do you agree a new standard to ensure consumers receive compensation for a smart meter that does not operate in smart mode, which is within a supplier's control to resolve, and has not been resolved, is right for consumers?

We agree that smart meters working in smart mode is fundamentally important to both consumers and energy suppliers. However, the practical application and costs associated with the proposed standard, particularly if extended to the non-domestic market, need careful consideration. The reason a smart meter isn't operating in smart mode is not always obvious. Likewise, whether a resolution can be provided by the supplier, a third party or at all.

19. Do you agree with our initial views of "in scope" and "out of scope"?

The definition itself seems reasonable, but in some cases a supplier will need to spend considerable time and resource trying to determine which party is responsible for resolution. It's unclear what lengths the supplier will be expected to take to verify a meter is out of scope, and suppliers should not be in a position where they are paying compensation for issues outside their control because the burden of proof will ultimately incur greater costs.

20. Do you agree with our initial views on what constitutes a "smart meter" and "not operating in smart mode" for the purposes of this proposal only?

The definition itself seems reasonable, but it's unclear at what point the 90-day timeframe is triggered, e.g. does the 90 days commence at the point the supplier would have expected to receive an automatic reading?

21. How do you consider "actions of another party" could be clearly defined for this proposal?

The definition needs to include action, or inaction, of the consumer. If this standard is to apply irrespective of consumer contact, there needs to be consideration of disengaged customers and unoccupied premises. It's unreasonable to expect suppliers to resolve a non-communicating meter

when the consumer chooses not to respond to communications or the supplier is unable to access the meter.

It should also be clear that, third-party agents contracted by the customer, rather than the supplier, are defined as “another party”.

22. Do you agree that 90 days is an appropriate timeframe to resolve smart meters not operating in smart mode in the future?

A 90-day timeframe feels reasonable for smart meters already on supply. However, a longer timeframe is appropriate for meters gained on change of supply. Non-domestic suppliers may gain hundreds of non-communicating smart meters at the same time and be faced with an impossible challenge of identifying and resolving multiple issues within 90 days. Moreover, a supplier is likely to be more familiar with meters/customers that are already part of their portfolio. We suggest 180 days is an appropriate timeframe for non-domestic meters gained on change of supply.

23. Do you agree consumers should receive compensation for both gas and electricity meters if applicable?

We agree that compensation should be given for either or both gas and electricity meters according to whichever is individually not communicating and where the issues are within the supplier’s control..

24. Do you agree that for each instance of an “in scope” smart meter not operating in smart mode, the consumer should receive another compensation payment if the meter remains not operating for 365 days, and for every other 365-day period thereafter?

No, we see little value in this additional requirement which would only serve to add further cost and complexity to an already costly and complex standard.

25. Are there any other factors you think need to be considered that have not been covered in this section for this proposal?

The potential costs associated with this proposal should not be underestimated, particularly if extended to the non-domestic market. If, as Ofgem is proposing, existing smart meters not operating in smart mode are included within this proposal, there is likely to be a significant amount of compensation payments in the months following implementation. Likewise, if a non-domestic supplier gains a group customer with multiple non-communicating meters, significant payments will be made.

There is a risk that, rather than spending considerable time and resource trying to determine which party is responsible for a resolution, suppliers may conclude it’s more cost effective to just pay compensation regardless, resulting in additional costs to be socialised across all customers. There may also be a risk of early asset replacement if time pressures result in suppliers simply replacing non-communicating meters rather than resolving the underlying issues.

26. Do you agree that the proposals under consideration in this consultation are beneficial for non-domestic consumers?

During the development of these proposals, industry engagement has centred around domestic consumers. The non-domestic market is very different, both in terms of customer traits and metering arrangements, with unique characteristics that don’t appear to have been considered. While the

proposals in this consultation may be beneficial to microbusinesses, we do not agree with extending them to meters at all Designated Premises.

27. Do you agree with the rationale and proposed scope (both in terms of business size, meter type and timeframes, where applicable) of the proposed Guaranteed Standards under consideration in the non-domestic sector?

Business size

We do not agree that customers at all Designated Premises should be in scope of the proposed Guaranteed Standards. This would include large corporate entities who can leverage the terms of their contract if they wish to escalate matters. Including larger businesses would result in a significant increase in GSOP payments, the costs of which would ultimately need to be recovered through consumer bills. We believe it would be inequitable to impose further costs on consumer bills to fund GSOP payments to larger business consumers who have the capability and leverage to resolve any issues themselves. Furthermore, larger businesses are more likely to contract with their own agents, with suppliers having no part in that relationship, adding another layer of complexity. Limiting the scope to microbusinesses would align the new standards with the existing GSOP and target support to the most appropriate customers.

Meter type

DESNZ recognises the nuances associated with Advanced Meters, such as interoperability. Limiting scope to SMETS would reduce overall payments and simplify the standards.

28. Across all the Guaranteed Standards, are there any other opportunities or risks with respect to the applicability of the proposed Guaranteed Standards to the nondomestic sector that we should consider?

- Extending the scope to all Designated Premises and AMR would significantly increase the volume of payments, which risks increasing energy bills for all consumers.
- There is no universal service obligation in the non-domestic market, so there may be a risk (albeit small) that suppliers will choose not to contract with consumers with a high probability of being eligible for compensation, e.g. those operating in remote areas.
- Ofgem should consider potential changes to the definition of '*Designated Premises*'. The current definition, under SLC 21B, is reliant on Profile Class, so is likely to be changed with the implementation of MHHS.

29. If you agree that the Guaranteed Standards under consideration in their present form should be applicable to the non-domestic sector, do you have any suggestions to tailor or alter the details and scope of the Guaranteed Standards to better suit the needs of non-domestic consumers?

We don't agree that the Guaranteed Standards under consideration should apply beyond microbusinesses in the non-domestic market.

30. Do you agree that the compensation amount for the Guaranteed Standards under consideration could be further tailored to the non-domestic sector?



No, we do not believe they should be further tailored. This would change the nature of GSOP payments, which were never intended or designed to be cost reflective. Business customers are far more capable and have more leverage than domestic consumers, so if they feel they've been materially impacted, they can either seek redress from the Ombudsman (in the case of small businesses), and/or utilise the leverage they have over their supplier and the terms of their contract to seek a higher goodwill payment.

31. Which (if any) of the proposed options (Option 1 and Option 2) do you agree with for determining the compensation amounts for non-domestic consumers?

We don't agree with either of the proposed options. Increasing the payment to reflect energy use (option one) or effectively doubling it (option 2) would be disproportionate to the level of inconvenience.

32. Do you have any other considerations to determine the compensation amount for non-domestic consumers?

No - In our view the compensation amount should not differ for non-domestic consumers.