Smart meter Guaranteed Standards - Supplier Guaranteed Standards of Performance Draft Impact Assessment (IA)

Division: Retail Systems and Processes

Team: Smart Metering and Retail Market Operations

Associated Document: Smart meter Guaranteed Standards – Supplier Guaranteed Standards of performance Statutory Consultation

Coverage: Partial coverage which means that the monetary costs and benefits are only one element of the decision.

Type of measure: Specific incentive

Type of IA: Initial Stage IA – Non-Qualified under Section 5A UA 2000

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Summary

We consulted on new supplier Guaranteed Standards of Performance in March 2025 relating to smart meters (Smart meter Guaranteed Standards: Supplier Guaranteed Standards of Performance). Our Minded to Position is to introduce automatic compensation for consumers when any of the four new standards are not met.

Alongside our March consultation we published an Approach to Impact Assessment (PDF,200KB), containing our rationale for intervention and a framework identifying the options that we would consider and our approach to measuring costs and benefits. In this IA we take a different approach to benefits, to better reflect the efficiency benefits of Guaranteed Standards. Costs are based on responses to our Request for Information (RFI) and follow-up enquiries. Considering this analysis, we intend to proceed with the introduction of supplier Guaranteed Standards, subject to a final decision. Our proposals and a draft statutory instrument are contained in the Consultation document

associated with this Impact Assessment (IA). We invite feedback on the IA and encourage stakeholders to respond to the related questions in the main consultation.

Overview

What is the problem under consideration? Why is Ofgem intervention necessary?

- Despite the widespread rollout of smart meters in Great Britain, the lack of available appointments and non-communicating meters have reduced consumer trust and engagement with the smart meter rollout.
- There are no Guaranteed Standards that refer explicitly to smart meters and the specific experiences these consumers may have with their energy supplier.
- Current arrangements leave consumers without adequate recourse to redress.
- Poor service levels can be considered an indicator of a market failure due to the imbalance in power or information that the supplier holds.
- Ofgem and the Department for Energy Security and Net Zero (DESNZ) agree that protections for specific areas of the smart meter consumer experience is a necessary policy requirement.

What are the policy objectives and intended effects including the effect on Ofgem's Multiyear Strategy

- The Guaranteed Standards are designed to protect consumers, raise service level standards, and support Ofgem's broader strategic objectives.
- The Clean Flexibility Roadmap (PDF,1.9MB) identifies that working smart meters are essential to consumer-led flexibility (CLF) and Guaranteed Standards will help meet objectives set out in it.
- These proposals directly support Ofgem's strategic priorities as outlined in the Ofgem Multiyear Strategy. In the letter, Objective 2 is to 'Ensure high quality of service'. Our analysis suggests that service standards are variable and inconsistent across the industry. The specific objectives are:
    i) support the ongoing rollout of smart meters
    ii) improve the smart metering end to end journey
    iii) introduce the smart meter Guaranteed Standards in 2026

What are the policy options that have been considered, including any alternatives to regulation? Justification of the preferred option (further details in Evidence Base)

In our Approach to Impact Assessment document and the original proposal it was indicated that there would be three options assessed in this IA.

Option 1: Business as Usual (BAU) option keeps the current compliance model without introducing new regulations. This also assumes suppliers will keep improving performance voluntarily with the existing monitoring framework. It also is used as a baseline to measure the impact of the other options.

Option 2: Enhanced compliance and enforcement option would strengthen Ofgem's compliance and enforcement approach without introducing new Guaranteed Standards. It builds on current frameworks and includes more frequent data requests, bilateral engagement, and potential enforcement actions under existing licence conditions.

Option 3: Introducing four new Guaranteed Standards of Performance (GSOP) option introduces four GSOPs with automatic compensation for specific areas of smart metering such as delayed installations or unresolved issues. These GSOPs are described in the Statutory Consultation together with the recent amendments resulting from feedback in the policy consultation (principally the exclusion of large non-domestic premises and the revision of the scope of GSOP4), which include:

- 'Another party' and their involvement in remediation: The exemption for an action of another party has been amended to only include actions of the customer,
- Reduction in compensation re-occurrence period: The re-occurrence period for compensation has been reduced from 12 months to 6 months.

As a result of these amendments, the revised proposals are referred throughout this document as **'Option 4'**, to indicate that there are **no changes to GSOP 1-3,** but with a **revised GSOP4.**

Preferred option - Monetised Impacts (£m)

- **Redress: A benefit to GB Consumer and cost to suppliers**
  Redress is estimated at £117m. This is a transfer and there is no mechanism for suppliers to pass it through to the generality of consumers. Redress is expected to decline over successive years.
- **Cost to suppliers for implementation of proposed GSOPs**
  £26m set up costs (annuitized to £5-6m annually) and £9m annual. The latter costs are assumed to remain constant over successive years.
- **Benefits from bill savings and carbon emissions**
  These total £105m in year one. This is a conservative estimate which will increase markedly in future years as low carbon technologies and consumer flexibility benefits are realised.
- **Explanation of monetised impacts**

All prices are in 2025 terms. The cost of implementation is presented as:

i) ongoing annual costs (above).

ii) set-up and ongoing costs in year 1 (although some suppliers reported setup costs over longer as a simplification all setup costs are allocated to year 1 in this calculation).

Redress benefits are a transfer payment representing a cost to suppliers and a benefit to consumers. The redress payments have distributional implications which are discussed below.

Benefits from bill savings and carbon are an immediate year 1 benefit, based on efficiency savings of a dual-fuel domestic customer. We have not included microbusinesses which will have higher benefits. Nor have we added in medium- and longer-term system and network charge benefits.

The initial bill savings and carbon reduction benefit to cost ratio is £105m/£14m (in excess of 7:1). Or based on the approach in Table 3, a 0.5 percentage point reduction in non-operational meters would break even. Future yearly Benefit to Cost Ratios would be expected to increase.

Preferred option - Hard to Monetise Impacts

The proposed Guaranteed Standard policies are expected to deliver important long-term benefits essential to smart metering and energy system transformation, even if these benefits are difficult to quantify monetarily. These long-term benefits include:

- **Enabling of flexibility benefits**: Strengthening GSOPs allows the benefits of consumer flexibility to be delivered.
- **Enhanced Consumer Trust and Engagement**: By improving the end-to-end smart metering journey, the GSOPs foster greater consumer confidence in both suppliers and the regulatory framework. This trust is foundational to long-term behavioural change but cannot be directly monetised.
- **Consistency Across the Market**: GSOPs help ensure that all consumers—regardless of supplier or geographic location—receive a consistent standard of service. This promotes fairness and reduces the risk of regional or supplier-based disparities.
- **Support for Grid Optimisation**: Increased smart meter uptake, driven by improved service standards, enables more granular consumption data. This

supports better grid management and demand forecasting, which are essential for decarbonisation and system resilience.

- **Supporting Innovation and competition:** As consumers become more engaged and informed, they are more likely to participate in time-of-use tariffs and other smart services, indirectly supporting innovation and competition in the retail energy market.

Key Assumptions/sensitivities/risks

Data accuracy:

- Suppliers have highlighted that the data they provided in response to Ofgem's RFI is not as complete or robust as we would normally expect, as monitoring systems aligned to the proposed GSOPs were not in place in 2024/25.
- The cost data is a snapshot at the current time. We expect that at the time of implementation, overall costs will be similar.

Risk and uncertainties:

- GSOP4 costs and benefits estimates: These represent our 'best estimates' given the data we have received up to this point.
- The volume of smart meter activity (e.g. fault visits or missed appointments): A 10% change either way could have material effects both on annual costs and transfer costs.
- Behavioural responses of suppliers to GSOPs: Suppliers may not actually improve their service standards if they perceive the unit cost of achieving higher standards to be greater than the £40 redress.

Unintended consequences (e.g. gaming by market participants):

- The policy for these GSOP proposals is designed to incentivise the right behaviours in energy suppliers so that outcomes for consumers are better and realised in a transparent way. However, there are examples of how these could have an unintended consequence, including: consumers might attempt to obtain multiple payments, or some suppliers might seek to avoid liability for redress.

Other issues

We intend to review the outcomes of these Guaranteed Standards in Q1 2027.
We consider that the proposal is in scope of the Public Sector Equality Duty.

1. Background

1.1. This section draws on the principles set out in our Approach to Impact Assessment. Key points from that document are only repeated where necessary. Readers seeking further detail are encouraged to refer to the relevant section of that publication.

1.2. The Electricity and Gas (Standards of Performance) (Suppliers) Regulations 2015 established minimum performance standards for gas and electricity suppliers, covering areas such as customer service, meter readings and other key supplier-consumer interactions (see para 1.7 of policy consultation). These provisions have since been extended in some areas to reflect evolving market conditions.

1.3. The deployment of smart meters is a key element in the Great Britian's approach to updating its energy infrastructure, lowering carbon emissions, and enabling consumers to monitor their energy consumption more effectively. Since the start of the smart meter rollout there has been notable progress in installing smart meters in both domestic and non-domestic sectors. As of March 2025, over 39 million smart and advanced meters were installed in homes and small businesses across Great Britain. This means 67% of all meters are now smart or advanced meters, with 35 million (61%) operating in smart mode (see Figure 1).

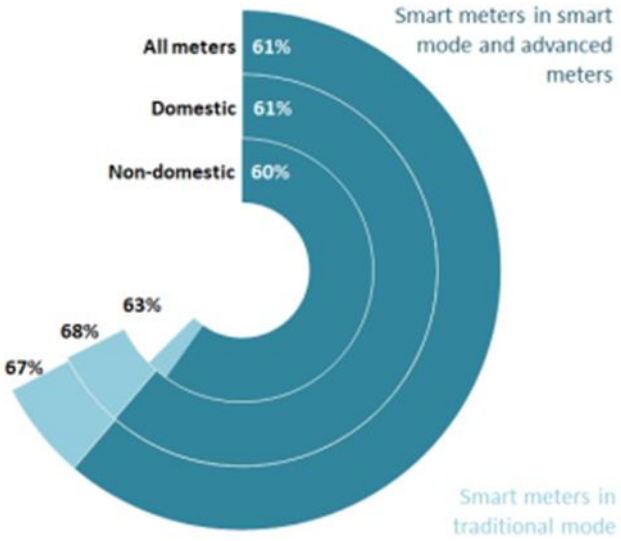

Figure 1: Smart meters as of Q1 2025 - DESNZ Smart meter Statistics March 2025

1.4. The rollout has delivered benefits such as improved billing accuracy and access to time-of-use tariffs for some consumers. However, several service-related challenges persist. These include delays in installation appointments, installation failures, unresolved operational issues, and prolonged periods where meters are not operating in smart mode. Energy Consumer Satisfaction Survey, Jan 2025 (PDF,4.9MB), reflects that these issues can undermine consumer confidence and limit the full realisation of smart metering benefits.

1.5. At present, there are no specific Guaranteed Standards that apply to the smart metering journey. The 2015 GSOP regulations do not reflect the operational complexities of smart meter technology or the expectations of consumers in a digital energy environment. As a result, there is no automatic compensation mechanism for consumers who experience poor service in relation to specific areas of the smart meter journey.

1.6. In response, Ofgem is proposing to introduce four new GSOPs tailored to the smart metering experience. These standards will cover:

- Timely availability of installation appointments
- Resolution of installation failures
- Investigation of operational issues
- Restoration of meters not operating in smart mode

1.7. We have chosen to use a static model of the direct costs and benefits of the introduction of new Guaranteed Standards to assess their expected costs and benefits. This is because future costs and benefits are hard to estimate, though we are conscious of these and have indicated likely directional changes, and taken them into consideration in our decision making.

1.8. This draft Impact Assessment has been informed by responses to the March 2025 policy consultation and data submitted by suppliers through an RFI. This was issued to collect information in line with our initial policy consultation. It had 41 responses. An email request (ER1) was issued following consultation responses which had 30 responses. A final email request (ER2) relating to responsibility for non-operational meters was issued and, whilst it had a poor response rate (less than 15% of suppliers), it provided insights into categories of suppliers' expectations on non-operational meters.

2. Problem under consideration

2.1 While smart meters have been widely deployed across Great Britian, challenges such as installation issues and meters not operating in smart mode undermine consumer trust and engagement with the rollout. Despite notable progress, the quality and consistency of service delivery remains variable.

2.2 According to Q1 2025 Smart Meters Statistics Report (PDF,774KB), over three million smart meters were not operating in smart mode in Q1 of 2025. Research by Citizens' Advice (PDF, 4.9MB) highlights that nearly half (46%) of people who do not have a smart meter are deterred by negative media coverage while one in five (21%) cite poor experience reported by friend or family as a reason for opting out.

2.3 These challenges are particularly evident across four key stages of the smart metering journey:

a) Availability of installation appointments
b) Failures during installation
c) Investigation of operational issues
d) Resolution of meters not operating in smart mode

2.4 The evidence of supplier performance in relation to these areas in these areas is detailed in our March consultation Smart meter Guaranteed Standards: Supplier Guaranteed Standards of Performance (PDF, 335KB).

2.5 Since the introduction of Guaranteed Standards, evidence suggests that the availability of consumer redress has incentivised improvements in service quality. However, gaps remain particularly in the smart meter journey, where limited redress exists for failures occurring from the point of initial request through to ongoing usage.

2.6 Persistent poor service levels in the energy sector may indicate underlying market inefficiencies. In a well-functioning competitive market, underperforming suppliers would typically lose market share as consumers shift to providers offering superior service. However, our Consumer Impact of Market Conditions Wave 5 Survey (PDF, 4.2MB) suggests that while service quality is a consideration, the primary driver for switching remains the pursuit of better tariffs. Smart metering is one of several elements shaping overall consumer satisfaction, and current level in smart metering services may not yet align with consumer expectations or needs.

2.7 Consumer also face transparency issues and limited options when meters fail to operate in smart mode for extended periods. Recent surveys (e.g. Energy Consumer Satisfaction Survey (PDF, 4.9MB)) indicate that these issues can deter engagement with other in-home smart technologies and undermine trust.

3. Policy objectives

3.1 The objective of this policy is to introduce Guaranteed Standards tailored to the smart metering journey. These standards are designed to address poor consumer outcomes and variability in supplier performance, enhanced supplier accountability and protection of consumers. This initiative supports Ofgem's strategic goal of ensuring high-quality service across the energy market.

3.2 Ofgem and Citizens Advice regularly monitor consumer satisfaction through surveys such as Energy Consumer Satisfaction Survey: July 2024 | Ofgem and Energy Consumer Satisfaction Survey, Jan 2025. Smart meter-related complaints have consistently been a top concern for consumers. Previously, we reported that smart meters were the second most common reason for complaints (29%) among those who contacted their supplier. This figure has now risen to 30%, making smart meters the leading cause of consumer complaints. While this trend highlights the urgency of intervention, we have considered whether a reduction in complaint volumes could serve as a SMART objective. However, complaint rankings are influenced by external factors such as energy prices and billing disputes, which may obscure the direct impact of GSOPs. Therefore, while not suitable as a SMART target, complaint volumes remain a critical indicator of consumer experience and will continue to be monitored as part of our evaluation framework.

3.3 Despite the widespread rollout of smart meters, significant gaps remain in how suppliers respond to installation requests, resolve operational issues, and maintain smart functionality. In 2024, 9% of smart meters were not operating in smart mode, undermining the benefits of smart metering and eroding consumer trust. The proposed GSOPs aim to close these gaps by:

- **Raising minimum service standards:** Introducing time-bound obligations for suppliers to act on installation requests, complete installations first-time, and investigate operational issues promptly.
- **Driving supplier accountability:** Establishing a framework where failure to meet defined service levels results in automatic compensation, shifting the burden of redress away from consumers.
- **Improving consumer experience and trust:** Ensuring that smart meters deliver the expected benefits such as accurate billing, energy insights, and remote. functionality by holding suppliers accountable for performance within their control.

- **Supporting the smart meter rollout**: Reinforcing the credibility of the rollout by addressing known pain points in the consumer journey, particularly around non-operating meters and failed installations.

3.4 The immediate objective of this policy intervention is to improve the consumer experience of the smart metering journey by introducing minimum service standards through four new GSOPs. These standards are intended to strengthen consumer protection and rebuild trust in the smart metering system by ensuring timely, dependable, and accountable service delivery.

3.5 Achievement of these immediate goals is expected to support the intermediate objectives including improved supplier performance and consistency across the market. This enhancement will facilitate the smart meter rollout by resolving challenges in the consumer experience, such as the prevalence of meters operating in not operating in smart mode and instances of unsuccessful installations.

3.6 The ultimate objective is to support the decarbonisation of the UK economy by enabling a smarter, more flexible energy system. Smart meters play a critical role in this transition by providing real-time data that helps optimise energy usage and reduce carbon emissions. A successful smart meter rollout, underpinned by consumer trust and satisfaction is essential to achieving these broader environmental goals.

3.7 To ensure the GSOPs deliver measurable improvements in consumer outcomes and supplier accountability, the following **SMART** (Specific, Measurable, Achievable, Relevant, Time-bound) objectives have been defined:

Specific

Introduce four GSOPs targeting key failure points in the smart meter journey:

- GSOP 1: Timely offer of installation appointments
- GSOP 2: First-time completion of installations
- GSOP 3: Prompt investigation of operational issues
- GSOP4: Resolution of meters not operating in smart mode

Measurable

- Operational: GSOPs 1–3 aim to be in January 2026 if a decision is progressed
- GSOP4 will be in implementation phase during that time until an appropriate date, approximately April 2026 if a decision is progressed
- Performance uplift: Market-wide improvements through:

    - Reduction in the proportion of smart meters not operating in smart mode (currently 9%)
    - Decrease of installation failures
    - Increase in timely resolution of operational issues
- Redress: Volume and value of automatic compensation payments monitored to assess compliance and consumer redress

Achievable

- Timelines have been considered for each GSOP with extended implementation time proposed for GSOP4
- Minimal changes will be required to existing systems and processes as energy suppliers are already setup for GSOP reporting and monitoring

Relevant

- Directly supports Ofgem's strategic priority of ensuring high-quality service
- Aligns with DESNZ's Clean Power 2030 Action Plan
- Addresses top consumer complaint category: smart meters now account for 30% of all supplier complaints

Time bound

- January 2026: All GSOPs implemented into legislation
- January 2026: GSOP1-3 redress begins immediately; GSOP4 no redress required during lead-in period
- April 2026: GSOP4 90-day window begins
- July 2026: GSOP4 redress begins
- Q2 of 2026: First quarterly performance report will be published
- Q1 2027: review of GSOP1-4

4. Description of options considered (including status-quo)

Option 1: Business as Usual (BAU / Status Quo)

4.1 This option represents the scenario in which there are no new regulatory requirements are introduced. This approach would see suppliers continue to operate under the existing licence obligations and voluntary commitments, with Ofgem maintaining its current compliance and monitoring framework.

4.2 While some suppliers have made progress in addressing service issues, overall performance remains inconsistent, and key challenges such as delays in installation, unresolved faults and meter not operating in smart mode persist. The absence of enforceable service standards limits the effectiveness of mechanisms in driving sustained, market-wide improvements.

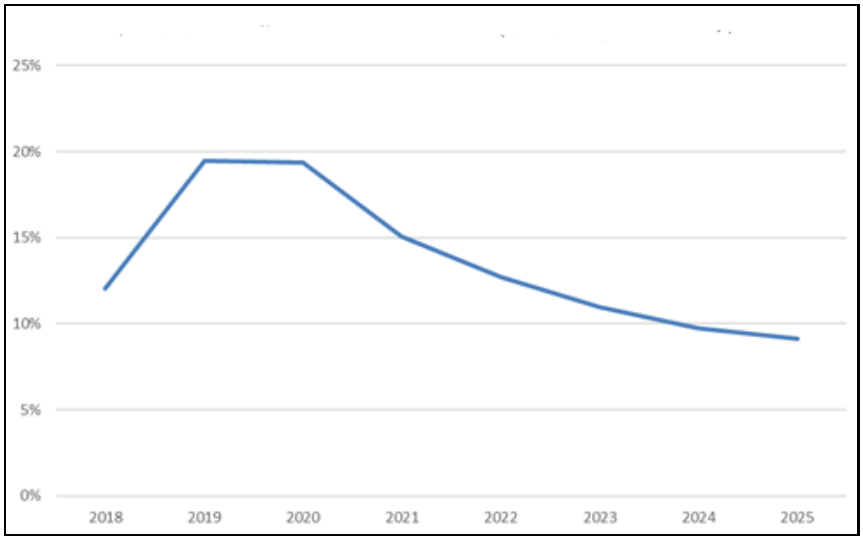

Figure 1: percentage of smart and advanced meters not working in smart mode, 2018 to 2025 (Smart meter Statistics)

4.3 We assume that progress would be more limited in 2025 against the percentage of smart meters not operating in smart mode, under this option.

Option 2: Enhanced compliance and enforcement

4.4 This option involves strengthening Ofgem's existing compliance and enforcement framework without introducing new GSOPs. The aim to drive improvements in supplier performance through more comprehensive regulatory approach to the existing obligations, rather than through new statutory obligations.

4.5 This approach builds on current licence conditions and monitoring tools, and includes the following enhancements:

- Increased data transparency: More frequent and granular data requests to improve visibility of supplier performance
- Targeted regulatory engagement: Bilateral engagement with underperforming suppliers to identify and address emerging issues at an early stage
- Escalated enforcement action: Use of existing enforcement power under the licence regime where persistent non-compliance is identified

4.6 This option assumes the threat of enforcement and the associated reputational pressure will incentivise suppliers to improve service quality. It is designed to be proportionate, flexible, and responsive to supplier behaviour, while avoiding the administrative burden and consumer compensation costs associated with new GSOPs. However, it does not provide consumers with automatic redress and may not deliver consistent improvements across the market.

4.7 Ofgem indicators in 2024 show that the percentage of smart meters operating in smart mode has increased over time for many suppliers. There has been a 1 percentage point increase in 6 months if the outlier is excluded. We consider compliance engagement has contributed to this improvement.

Option 3: Introduction of GSOPs in line with original consultation

4.8 This option proposes the introduction of four new GSOPs for domestic and non-domestic premises covered by smart meter rollout. Each GSOP would be underpinned by automatic compensation where minimum service levels are not met. The standards are designed to address persistent service failures in the smart metering journey and to strengthen consumer protection through enforceable, outcome-based standards.

4.9 This option proposes new GSOPs specifically targeted at key points in the smart metering journey. These include:

- **Timely availability of installation appointments** – requiring suppliers to offer new installations appointments within six weeks
- **Resolution of installation failures -** requiring suppliers to provide compensation for smart meter installation failures due to a fault within the energy supplier's control

- **Investigation of operational issues -** mandating timely assessment and action on reported smart meter faults
- **Restoration of meters not operating in smart mode –** requiring suppliers to restore smart functionality within 90 calendar days

4.10 This option represents a regulatory intervention designed to address persistent consumer issues and strengthen supplier accountability. The GSOP establishes a clear framework for redress, with automatic compensation payments acting both as a remedy for service failures and a financial incentive for suppliers to meet minimum standards.

4.11 By introducing these obligations, this option aims to drive proactive improvements in service quality across the market. In doing so, it supports the broader objectives of the smart metering rollout and the UK's decarbonisation agenda by increasing consumer trust and engagement.

4.12 Incentives: The nature of automatic compensation creates a clear financial and reputational incentive for suppliers to proactively enhance service delivery and avoid repeat failures. By directly linking compensation liabilities to service performance, the standard encourages suppliers to invest in operational improvements that reduce the likelihood of non-compliance. In a competitive retail market, the reputational consequences of repeated breaches further reinforce the incentive to maintain high service standards. This dual pressure financial and reputational supports a culture of continuous improvement and strengthens consumer confidence in the regulatory framework.

4.13 GSOP4 requires the restoration of meters not operating in smart mode to smart functionality within 90 calendar days. However, redress liability would only be for factors within the supplier's control.

Option 4: Introduction of Smart Meter GSOPs as currently proposed (amended Option 3)

4.14 As Option 3 has been amended, it is necessary to clarify the differences between the original position and the updated position in the Statutory Consultation (Table 1).

Table 1**:** Changes in GSOP4 exemptions between original proposals and those in Option 4

Original proposal (option 3)	Change	Revised position (option 4)	Commentary
1. Consumer requested or agreed for the smart meter to not operate	No	n/a	n/a
2. No technical solution available to enable the smart meter to operate	No	n/a	n/a
3. Actions of another party required to provide a resolution	Yes	Actions of the customer prevented the resolution of the meter	Issues relating to parties such as the DCC, meter manufacturers etc, are no longer exempt

The revision of arrangements for GSOP4 is intended to provide a more unified and consistent consumer experience by establishing a simpler and fairer framework for redress. Section six of the statutory consultation outlines this approach in more detail.

5. Cost of options

5.1 In paragraphs 4.10 to 4.16 of Approach to Impact Assessment, we indicated that in economic terms the cost of redress is a transfer payment. However, compensation can also equate to a payment to customers as redress for detriment suffered due to a failure of suppliers to meet their licence requirements, where there is a comparable licence obligation. In this section we highlight the potential redress as borne by the supplier.

Option 1: BAU

5.2 As the smart meter rollout has been underway for many years, we consider that energy suppliers have processes and necessary resources to deal with smart meter installations and operational issues to deliver the current service levels requirement. In our RFI we did not seek to establish the absolute costs of this baseline as we considered that this would create an additional reporting burden on companies and add further complexity. The Audit Office report, update on the rollout of smart meters (PDF, 740KB) refers to incremental supplier costs during the smart meter rollout. We estimate these to be £2.4bn in today's terms, or as a constant annuity £150m per year.

5.3 We asked for information regarding the magnitude of existing ex gratia redress payments. These payments vary by supplier. In aggregate, annual payments related to these arrangements are approximately £3 million each year across the guaranteed standards. This may understate the compensation amount compared to data received by DESNZ on supplier voluntary payment to customers for smart meter failings in these four GSOP areas.

Option 2: Enhanced compliance and enforcement

5.4 The cost of this option would mainly lie with Ofgem processes and resources. These would likely be diverted from other compliance and enforcement activities, or additional resource would be required. Therefore, we have not provided a specific estimate.

Option 3: Introduction of GSOPs in line with original consultation

5.5 Energy suppliers will incur additional resource costs to comply with any proposed standards. This includes additional IT, staff and other costs. Our RFI asked suppliers to provide us with appropriate information on these. The responses

allowed a split between set-up costs and ongoing costs. They also provided a split between domestic customers and non-domestic meters (AMR and SMETS). Most suppliers reported that set-up costs could be completed within a single year.

5.6 We have assumed that the costs of implementing Option 3 or 4 would be very similar, both in set up costs and operating costs. These are reported in Table 2, rows (i) and (ii). Technically, Option 4, would be slightly more expensive as suppliers would have to apply GSOPs to more customers. However, although Option 3 is less targeted, the data provided suggests that it would not affect the bigger picture.

5.7 The most accurate costing of redress we can calculate is for option 4 as this has the most comprehensive data set. The key reason that we do not report redress costs for Option 3 are that several major suppliers were unable to provide the cost information required, as past data had not been gathered with Guaranteed Standards in mind. With both Option 3 and 4 costs presented it may be possible to identify a particular supplier.

Option 4: Introduction of Smart Meter GSOPs as currently proposed

5.8 Separately, we asked suppliers to estimate the redress costs associated with the different GSOPs. These are greatest for GSOP4 reflecting the high number of non-operational meters.

Table 2**:** Costs associated with Option 4

	GSOP 1	**GSOP 2**	**GSOP 3**	**GSOP4**
(i) Set up cost	£2m	£2m	£2m	£21m
(ii) Annual ongoing cost	£1m	£1m	£1m	£6m
(iii) Redress	£8m	£4m	£4m	£101m

Notes for Table 2

a. Our approach on GSOP4 has been based on March 25 returns from the RFI and ER2, with some adjustments during our quality assurance processes.
b. An important caveat is that this data was a best estimate by the companies we approached. It is also important to recognise that it does not provide a detailed insight into changes that might occur over the next few years. If the

implementation of the proposed GSOPs work as we intend them to, then the amount of redress will diminish.

c. The table does not currently account for the adjustments to GSOP4. We will engage with suppliers to collect additional data in due course.

Indirect costs

5.9 We also sought views on indirect costs, but none were identified by respondents.

Would suppliers pass the costs incurred from Guaranteed Standards both implementation and compensation on to consumers?

5.10 The costs associated with these GSOPs will vary by supplier according to their individual circumstances and performance. The conditions which could affect these costs are - the extent that they breach the Guaranteed Standards or they must pay redress not covered by an exemption, the degree of efficiency with which they manage cost and coordinate with or influence other parties to resolve issues.

5.11 An assessment of these issues is provided in OFT Cost Pass-Through (PDF, 2.7MB). Costs imposed on suppliers would not normally pass through to consumers. The reason is that underperforming suppliers can only charge as much for energy as a high performing supplier can, which means that if it was low performing and sought to pass on some of the GSOP costs it would find itself uncompetitive.

5.12 For costs captured by the price cap, in our recent review of the operating cost and debt allowances in the price cap, we decided to set a less stringent cost benchmark, at weighted average, relative to the previous approach (Ofgem (2025), Energy price cap operating cost and debt allowance review). This means there is greater room within the allowance for an efficient supplier to absorb moderate future changes in costs. Furthermore, we set out that service standards are a fundamental element of a supplier's business and we do not consider it appropriate to provide an allowance for instances where standards are not met, and a supplier incurs a penalty. To that extent, we asked suppliers to exclude fines for non-compliance or redress payments.

5.13 The remaining domestic consumers are usually on fixed tariffs in which no tariff adjustment could be made, because of the nature of the tariff. The market that microbusinesses use to purchase their energy is a competitive market, so the logic outlined in the preceding paragraph also applies.

6. Benefit of options

6.1 We reiterate that in our Approach to IA we indicated that redress payments would be counted as a benefit to consumers, although we also highlighted from an economic systems view it was a transfer payment. Although we received no responses relating to the IA to the initial consultation, we have revised our approach as explained below.

6.2 We consider that the transfer payment from suppliers to consumers is an issue of fairness, and the redress payments suppliers face is for detriment suffered due to a failure to meet the requirements of the regulations and smart meter licence conditions, where there is a comparable licence obligation. However, in measuring the benefits of the Guaranteed Standards, it is the efficiency gain from greater levels of smart meter usage and operation that we should be capturing. As an example of the implications of this, if we use redress as a proxy for detriment, then the greater the amount redress that is paid, the greater the apparent consumer benefit. A more appropriate way to measure benefits, is in terms of the additional working meters that Guaranteed Standards achieve and the benefit each brings. This is an efficiency gain.

Efficiency gains

6.3 Smart meters are enabling devices, in other words, they do not automatically lead to energy savings. Consumers must actively engage with them to adjust consumption. Nonetheless, there is good evidence that households that do adopt them also do tend to reduce consumption, Reviewing energy supplier evidence on impacts of smart metering on domestic energy consumption (PDF, 912KB).We have used the meta-analysis parameter from this publication that indicates that an average household will save 3.45% on electricity consumption and 3% on gas consumption. These parameters are broadly supported by Monitoring smart meter energy savings using the National Energy Efficiency Data-Framework (PDF, 1.1MB).

6.4 To determine the potential financial savings, we multiply the most recent typical domestic household consumption data by the current unit costs from the latest price cap, resulting in an estimated saving of £45.80 per year. This figure is regarded as the projected bill reduction, as internal analysis indicates that, historically, each smart meter operating in not operating in smart mode has

remained in this mode for approximately one year on average (reflecting duration-based returns as shown in Figures 2 and 3).

6.5 The emissions savings associated with the above reductions are calculated by applying government appraisal prices for carbon (£/tonne CO2e) by the calculated reduction in tonnes.

6.6 We recognise that the benefits estimate presented here reflect potential outcomes and are reliant on consumer behaviour. The National Audit Office values referenced in Table 4 below also incorporate flexibility related impacts. In addition to bill savings and carbon reductions, we acknowledge that wider benefits, such as those accruing to suppliers, are likely to increase incrementally from improved smart meter functionality and service standards over time. However, due to data limitations the benefits below are estimates and not the exact outturn we may see from the introduction of these GSOPs.

Table 3**:** Sensitivity Analysis illustrating the quantified benefits of the possible reduction in percentage points from the existing 9% level

Percentage point decrease in meters in not operating in smart mode	£m bills saving	£m carbon emissions saving	£m total
1	17	9	26
2	35	18	52
3	52	26	79
4	70	35	105
5	87	44	131

6.7 A further benefit of operational smart meters is that they enable flexibility benefits. Households given freedom and choice with more ways to cut energy bills (PDF, 1.9MB) indicates a range of benefits from flexibility. It quotes examples such as:

- Those who do not generally use electricity at peak times (4-7pm) could save over £200 a year by switching from the price cap to a tariff that changes throughout the day based on market energy pricing plans that vary the cost of electricity based on the time of day
- It is possible to save even more money by shifting small loads away from peak times. For example, shifting washing machine and dishwasher use could save an additional £38 per year.
- Households with additional low carbon technology can also save on their energy bills by switching to tariffs with rates that are designed to encourage flexible use.

For example, an EV driver could potentially save £330 annually by smart charging overnight.

- Households with heat pumps could save more than £250 annually by shifting to a smart tariff and using their heat pump flexibly to pre-heat their homes during cheaper periods.

6.8 All these benefits rely on a functional smart meter, but as we are in a period of transition the uptake of these tariffs varies. For example, Ofgem State of the market report (PDF,1.1MB) highlights that 502,000 domestic customers were on a Smart Time of Use EV Tariff and 162,000 were on other smart time of use Tariffs. The same report also indicates that the proportion of home EV charge points that use an EV tariff is 62%. In contrast, the number of heat pump users on specialised tariffs is low (less than 5%).

6.9 From a system view, the electrification of heat and transport is expected to lead to important savings in emissions up to 2030 and beyond. There are two mechanisms that would lead to Guaranteed Standards having an impact. First, with a non-operational smart meter the incentive to buy an EV is reduced, so this will have a harmful effect on the roll-out of EVs. Second, without an operational meter the incentive to shift consumption away from peak periods decreases. Consequently, greater build out of the network is required. We do not have precise information on these impacts.

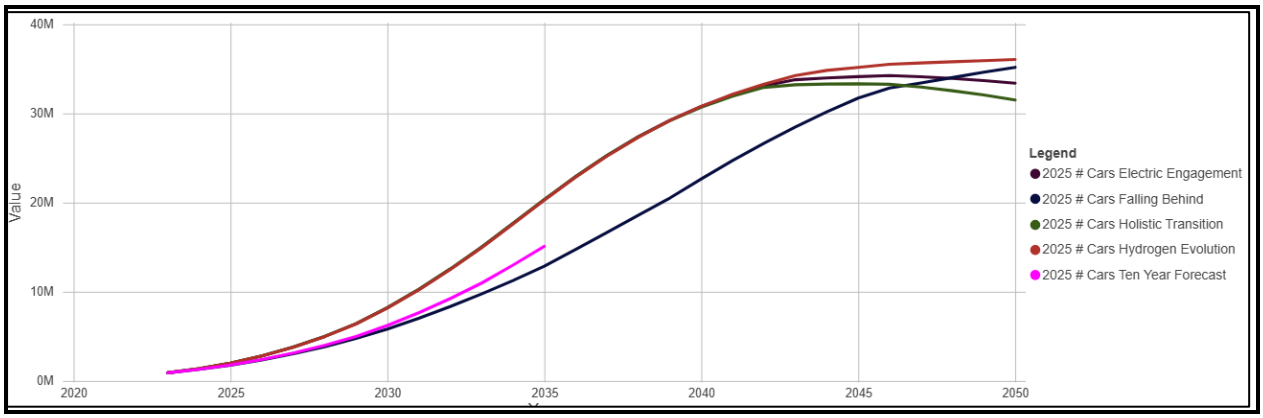

Figure 2: Number of purely Electric Vehicles 2025-50 (Source NESO)

6.10 In terms of bill impact, if the current proportion of smart meters non-operational were to remain the same in 2030, then £108m detriment would occur (6 million times 9% times £200 (first bullet above)). Current values of this detriment are £45m. These are indicative figures only.

6.11 The Audit Office report, Update on the rollout of smart meters (PDF,740KB) presents recent findings on the smart meter programme. The data was based on Net Present Value (NPV) calculations for the period 2013 to 2034. Initially in 2019 present value terms, the price was expressed using 2011 values. In the table below this price basis has been updated, using CPIH to 2024 values.

Table 4**:** Government's estimate of the cost and benefits of the Smart Metering Implementation Programme between 2013 and 2034:

Benefit type	Detail	£, bn
Energy Suppliers	Information from smart meters can reduce the cost of supplying electricity due to, for example, fewer site visits for meter readings and fewer inbound customer calls for bill queries	11.50
Energy consumers	Information from smart meters can help consumers reduce their energy use and therefore their energy bills, as well as spend less time submitting meter readings and querying bills	10.79
Carbon emissions and air quality	Reducing energy consumption helps improve air quality and lower carbon emissions	2.84
Network	Information from smart meters can enable network operators to provide a more reliable and cost-effective electricity network.	1.99
System	Information from smart meters can enable flexible energy use patterns that are more compatible with intermittent renewable sources ('demand shifting') and therefore enable an efficient, decarbonised power system. For example, electric vehicles and smart appliances can be programmed to take advantage of cheaper energy prices during periods of higher supply or lower demand	0.57

Source: National Audit Office calculations

6.12 There will have been two major changes to the values shown. First, since the latest Government carbon prices (Valuation of greenhouse gas emissions: for policy appraisal and evaluation - GOV.UK) the carbon and air quality value is likely to have doubled. Second, Network and System benefits are likely to increase because of more ambitious decarbonisation targets. For these reasons, it will be clear that Table 3 benefits are likely to be conservative. Leaving aside benefits to energy suppliers, transmission network and system benefits would increase the benefit estimate by about 20%. Considering Clean Power 2030 and distribution network benefits could lead to a considerable uplift.

6.13 The Smart systems and flexibility plan 2021: Appendix I - Electricity system flexibility modelling (PDF, 1.9MB) indicates benefits of up to £70 billion from flexibility from 2020 to 2050. The modelling does not allow the attribution of a proportion of this benefit to domestic and microbusiness demand side response. Nonetheless the improvements in the number of smart meters working correctly help achieve greater flexibility over the long term.

Option 1: Business as Usual (the counterfactual)

Transfer benefit for consumers:

6.14 The initial RFI indicated that some suppliers already provided compensation where performance falls below expectations. Annual payments related to these ex-gratia arrangements are estimated at approximately £3 million across the four GSOP areas.

Efficiency benefits:

6.15 It is difficult to identify the number of additional smart meters currently in not operating in smart mode that would be made operational in the status quo. We assume that progress would be more limited in 2025 against the percentage of smart meters not operating in smart mode, under this option.

Indirect benefit:

6.16 While not formally quantified, the BAU option is unlikely to yield limited indirect benefits through existing market dynamics.

Option 2: Enhanced enforcement or wider compliance against smart meter related licence obligations

Transfer benefit for consumers:

6.17 This option strengthens Ofgem's existing compliance and enforcement regime without introducing new GSOPs. While it does not provide direct financial redress to consumers, it is expected to deliver incremental improvements in supplier performance over time. Specifically:

- Targeted compliance engagement and enforcement activities may reduce service failures, including delayed installations and unresolved smart meter issues.
- Strengthening adherence to existing licence conditions where there is a comparable licence obligation may reduce both the frequency and impact of consumer detriment.

6.18 These benefits are likely to materialise gradually, as compliance as well as enforcement cases take time to process, and suppliers may not act until cases are concluded. Consequently, this option is unlikely to deliver direct consumer compensation or economic efficiency benefits in a sufficiently timely fashion.

Efficiency benefits:

6.19 Recent compliance action appears to have encouraged greater progress. We use an estimate which is based on the Ofgem indicators where we have derived a fall of 1 percentage point over 6 months, or 2 percentage points over a year. As indicated in Table 3 the benefit would be £52m.

Indirect benefits:

6.20 Several indirect benefits may arise from option 2:

- **Behavioural Incentives**: The visibility of enforcement action may act as a deterrent, encouraging broader compliance across the market
- **Market Signalling**: A more active enforcement approach may reinforce Ofgem's regulatory credibility and signal to stakeholders that poor performance will be addressed
- **Consumer Confidence**: Over time, improved supplier behaviour may enhance consumer trust in the smart metering programme and the wider retail energy market

- **Operational Learning**: Enhanced compliance activity may generate insights that inform future policy design and regulatory interventions.

6.21 However, the extent and timing of these indirect benefits remain uncertain and depend largely on supplier response and enforcement priorities.

Option 4: Introduction of Smart Meter GSOPs as currently proposed

Transfer benefit for consumers:

6.22 Over the first year, the total redress to consumers is estimated at approximately £16m combined across GSOP1-3. Using representative data from March 2025 for GSOP4, it is estimated that compensation will be £101m. The values for GSOP4 are calculated on a different basis to GSOP1-3. This is because of data reporting inconsistencies for GSOP4.

Efficiency Benefit

6.23 In this option we have assumed that a 4-percentage point reduction in the current level of smart meters in not operating in smart mode is possible. This is derived from the same data as for option 2 but inflating the maximum improvement evident (circa 2.7 percentage points) by 50%. As indicated in Table 3 this would have a benefit of £105m.

Indirect benefits:

6.24 In addition to direct benefits, this option is expected to deliver significant indirect benefits:

- **Improved Consumer Trust:** Clear, enforceable standards and automatic redress mechanisms are likely to enhance confidence in the smart metering programme and the wider energy market
- **Market Consistency:** The GSOPs establish a uniform baseline of service expectations across all suppliers, reducing variability in consumer experience and supporting more effective competition amongst suppliers
- **Support for Net Zero Goals:** By improving the installation, reliability and usability of smart meters, the policy supports broader decarbonisation objectives, including enabling time-of-use tariffs and demand-side flexibility

- **Reduced Burden on Complaints Channels**: Automatic compensation may reduce the volume of escalated complaints to the Energy Ombudsman and Citizens Advice, freeing up resources and improving resolution times
- **Future-Proofed Regulation:** The proposed standards are designed to reflect the evolving smart metering landscape and to remain effective as the market transitions from traditional to smart infrastructure. They anticipate increased smart coverage and ensure that consumer protections scale accordingly.

7. Distributional Analysis

Consumers:

7.1 We must have regard to the interests of individuals who are vulnerable, with low incomes, or residing in rural areas.

7.2 We consider that the proposals will be beneficial to all these categories. Those in vulnerable situations can be higher energy users. This group of consumers will benefit from an automatic compensation scheme as it provides a straightforward way to compensate them in a timely manner when smart meter processes go wrong. As they may face barriers in accessing other types of schemes due to lack of awareness, difficulty navigating complex processes, or specific communication needs.

7.3 As Option 4 makes redress automatic for GSOP4 it is likely to lead to greater improvements than the status quo as suppliers will be incentivised to coordinate with the DCC.

Supply Companies

7.4 As explained in paragraph 5.10 to 5.12, we do not consider that supply companies are able to pass on redress costs to consumers. Therefore, the cost impact will depend on the make-up of a supplier's customer base and the number of non-operational meters in its portfolio.

7.5 As highlighted in Map 1: The percentage of domestic electricity smart meters by local authority (end Q1 2025) and 2023 mid-year population density, the percentage of smart meters varies with geography and from visual inspection there is an inverse correlation between population density and smart meter uptake.

7.6 Option 4 provides the best costing of GSOP4 redress. An alternative approach to assess redress levels in Option 3 GSOP4 is to complete a sensitivity analysis to illustrate what redress accrued by suppliers would be if there is a specified reduction in Option 4 redress. While some suppliers suggest that they would have no liability under GSOP4 in the original proposals, others indicate that it might be about 30% less than in the final proposals.

Table 5 Redress under option 3 GSOP4: the effect of a reduction in Option 4 redress (which has wider scope) to a lower level in Option 3 (restricted to issues within supplier control).

Reduction	Redress (£m)
0%	101
10%	91
20%	73
30%	51
40%	30

8. Key assumptions, Uncertainties and Risks

Assumptions

8.1 Data Accuracy from the RFI Process: supplier responses to the Request for Information (RFI) are assumed to be accurate and reflective of actual costs and impacts. However, there is a risk of inconsistent interpretation or strategic reporting which could affect the robustness of cost-benefit estimates.

8.2 Regulatory stability during implementation: the IA assumes no major changes in regulations or market conditions, like new SLCs or smart meter policy shifts, which would significantly impact the cost-benefit analysis.

Key Risks and uncertainties

8.3 Ambiguities in definitions such as "within a supplier's control" and "action of another party" were seen as a risk, potentially enabling energy suppliers to interpret the definitions in a different way.

8.4 Cost Underestimation and Financial Strain: there is no evidence presented in data submissions suggesting this is an issue either in Option 3 or 4.

8.5 Market distortion and reduced competition: we have examined whether GSOPs disproportionately burden smaller or less-resourced suppliers, this could lead to market consolidation, reducing consumer choice and innovation. There are no issues apparent in either Option 3 or 4.

8.6 Behavioural risk - Supplier: suppliers may adopt a compliance-minimum approach, focusing on avoiding penalties rather than improving service quality.

8.7 Behavioural risk - Consumer: there is a risk that consumers could try and obtain multiple payments for the same issue or by submitting false information within claims. Please refer to our Statutory Consultation, where we have tried to address these through proposed exemptions and controls.

8.8 Impact on supplier competition: no evidence was submitted to suggest that supplier competition will be affected by the implementation of these Guaranteed Standards.

9. Impact on our Statutory Duties

9.1 The Authority's principal objective is to protect the interests of existing and future consumers in relation to gas conveyed through pipes and electricity conveyed by distribution or transmission systems. The Guaranteed Standards protect the interests of existing consumers, and in enabling flexibility, the interests of future consumers.

Net Zero

9.2 The achievement of Net Zero is one of our primary objectives under statute. Smart meters are a key component of the path towards net zero as they provide the capacity for consumers to access new tariffs, innovative products and services and improve efficiency. Introduction of GSOPs will encourage consumers to adopt smart meters and have access to flexible time of use tariffs that can help them reduce both consumption and their total bills.

Security of Supply

9.3 Security of supply is also a primary objective under statute. The introduction of smart meter GSOPs will have limited impact in the current context. However, measures such as domestic flexibility services require operational smart meters so there will be some minor benefits to security of supply in the first year. However, as household and microbusiness electricity loads increase due to electric vehicles and heat pumps, it is reasonable that Guaranteed Standards play a minor role in improving security of supply.

Public Sector Equality Duty

9.4 We consider that the proposals have no direct or indirect effects on protected groups. These groups include age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. As an example, under GSOP4 redress is triggered and paid automatically to all consumer types, regardless of whether they are in one or more protected groups.

Growth duty

9.5 The measures under consideration will be positive for the growth of microbusinesses. When smart metering installation or fault fixing appointments are not kept, then this creates considerable inconvenience to businesses.

Similarly, when smart meters are not operational the firm loses easy sight of its energy use. When these factors are addressed, it would be expected that small firms will be better able to realise their growth potential.

Competition and financial resilience

9.6 The implications on the financial resilience of domestic supply companies have been reviewed, recognising the paucity of precise and verifiable data on redress costs. Based on our estimates of redress costs for each company, these alone would not be sufficient to affect their financial resilience. This is said with reference to their adjusted net assets per customer, cash at bank and access to group financing.

Transformational change

It is unlikely that GSOPs will lead to transformational change, but in assisting the smart meter rollout, the achievement of Net Zero will be facilitated.

10. Selection of preferred option

10.1 Selection of the preferred policy option is informed by consideration of alignment with strategy, monetary costs and benefits and non-monetary considerations, along with risks and uncertainties. The following table provides a comparative summary of the monetised elements of the policy options considered here.

Table 6: Monetary costs and benefits for first year

Redress – treated as a transfer cost

	Option 1	Option 2	Option 3	Option 4
Redress GSOP 1-3	Not applicable	Not applicable	£16m	£16m
Redress GSOP4	Not applicable	Not applicable	Undetermined*	£101m
Redress Voluntary	£3m	£3m	Not applicable	Not applicable
Total Redress	£3m	£3m	Undetermined*	£50m to £83m

Implementation costs - treated as a resource cost

		Option 2	Option 3	Option 4
Set up costs	0	0	£26m	£26m
Incremental Annual ongoing costs	0	0	£9m	£9m

Benefits

	Option 1	Option 2	Option 3	Option 4
Potential energy saving per annum	£0m	£35m	Undetermined*	£70m
Carbon Savings	£0m	£17m	Undetermined*	£35m
Total	£0	£52m	Undetermined*	£105m

*In collating RFI and follow up information we gained a more coherent view of the impacts. However, costs for Option 3 would both be less accurate than Option 4 and

there would a potential disclosure of commercial information were its costs listed. Table 5 uses sensitivity analysis to explore the uncertainty about GSOP4 redress in option 3.

10.2 These results indicate that the proposals have a strong economic justification. If set up costs are amortised over 5-years at the government discount rate they would be equivalent to £5m per annum. Combined with annual costs, the implementation costs are circa £14m per annum.

10.3 The benefits associated with the increase in operational meters is estimated as £105 million in year 1 based on efficiency savings alone. The Net Benefit is therefore £91m. The Benefit to Cost ratio for year 1 is above 7 to 1. Alternatively, a breakeven point of 0.5 percentage point can be calculated from Table 3. That is resource costs of implementation could be outweighed if a 0.5 percentage point reduction in non-operational smart meters is achieved. In these calculations, we have been conservative, in that operational meters open the possibility of financial savings to the consumer from flexibility. We also have not considered benefits to microbusinesses.

10.4 It is apparent from the monetary summary, that the use of compliance and enforcement (option 2) would be a light-touch way of making improvements but, it may have limited benefit. This is not costed as it is a reactive policy so will depend on the number of compliance or enforcement cases we take on.

10.5 As highlighted in the summary of monetary costs and benefits it is difficult to compare our original proposals (option 3) with the Statutory Consultation proposals. However, we consider that the cost-benefit for Option 4 is reasonable. It indicates that in terms of actual resource costs associated with Guaranteed Standards and the potential benefits, that a Net Benefit of £70m could be gained in year 1. The implied Benefit to cost ratio of 3 to 1 would usually be seen as indicating high value for money.

10.6 We consider that the method used to calculate benefits is conservative. Moreover, we are using historic data, and by the time of implementation there will have been some movement in our calculations. The most plausible scenario is that further increases in the number of operational meters will occur (reducing redress) while the reduction in the period of redress recurrence in GSOP4 from 1 year to 6 months will offset this to a degree. Also, as highlighted in the Statutory Consultation, there are forthcoming technologies that may address operability issues driving down redress liability further.

10.7 We have provided some indicative figures on the benefits of flexibility. While we have not included these in our calculations, the important point is that these potential benefits, only obtainable with functional meters, are growing quickly. We have been careful to indicate that redress costs are transfers between suppliers and consumers. However, we have considered carefully the implications on suppliers' financial resilience of the redress calculated for the RFI and follow up data.

10.8 We examine a range of non-monetary factors below (Table 7). These include enabling flexibility, enhancing trust and engagement with smart meters (and other low carbon technologies), ensuring consistency of service across the market, support for grid optimisation and supporting innovation and competition. We have not listed business as usual (option 1) in the table as we consider that it is unsatisfactory on all the measures described.

Table 7: Non-monetary and other consideration

	Option 2	Option 3	Option 4
Enabling Flexibility	**Limited** - Dependent on the reaction of suppliers but potentially limited improvement.	**High -** As this was our initial proposal we consider that it would have considerable impact on increasing operational meters.	**Highest -** As this is our final proposal we consider that it might in principle, be slightly better than Option 3.
Enhanced Trust and Engagement in smart meters	**Medium -** Enforcement and compliance action is likely to initially reduce trust in the market only for it to increase afterwards.	**Medium-high** - The in scope/out of scope distinction may cause confusion, as consumers are unlikely to understand which party is responsible for resolving their smart metering issue.	**Highest -** It aims to maximise consumer protection by ensuring that all service levels are incentivised for improvement, regardless of the technical ownership of the fault.
Consistency across market	**Poor** - This option leaves some consumers with high service and others with lower service.	**High** – our initial proposal was aimed at providing consistent standards across the market.	**High** - We think that our final proposal will provide consistent standards.
Support for Grid Optimisation	**Limited**	**High** - Increased smart meter uptake, driven by improved service standards, enables more granular consumption data. This supports better grid management and demand forecasting, which are essential for decarbonisation and system resilience.	**Highest** - Detailed as in Option 3.
Supporting Innovation and competition	**Limited**	**High** - Increased smart meter uptake, driven by improved service standards, enables more granular consumption data. This supports better grid management and demand forecasting, which are essential for decarbonisation and system resilience.	**Highest** - As in Option 4, but scaling will lead to large benefits.

10.9 Several of our non-monetary factors will vary by the impact of the Guaranteed Standards on the number of operational smart meters. These are: enabling flexibility, support for grid optimisation, and supporting innovation and competition. Options 3 and 4 perform best in the ranking metrics. The greatest differentiation between options is against enhanced trust and engagement. If as in Option 2 we take stronger compliance action, on balance it would improve trust and engagement but only moderately - consumers with some suppliers would see noticeable improvements but other would not (labelled medium in Table 7). Using these criteria, there is a significant difference between option 3 and 4 from the consumer view. In the circumstances in which their smart meter is non-operational compensation will be paid in most circumstances. By way of contrast, in Option 3 there will be situations in which consumers see that their meter is not working, expect compensation, but this is not paid because it is not clear who is responsible.

10.10 We see this as simultaneously a trust and confidence issue and a risk. The ambiguities in definitions such as "within a supplier's control" and "action of another party" were seen as a significant interpretation risk by consultation respondents. The consequences would be that energy suppliers could interpret the definitions in a different way.

10.11 Consistency across the market is an important non-monetary factor as we consider that the standards of performance should not vary from supplier to supplier. As part of the rationale for Guaranteed Standards we consider that Option 2 performs poorly. Option 3 and 4 are seen as equally good in respect to this non-monetary factor. Support for grid optimisation refers to better grid management and demand forecasting, which are essential for decarbonisation and system resilience. The summary table indicates that we consider both options 3 and 4 to be ranked high, but option 4 to be the highest.

10.12 Taken as a whole, we attach considerable weight to the need to ensure that the interpretation risk does not materialise and that consumer targeting is efficient. In option 3 the Guaranteed Standards would apply to all non-domestic suppliers who do not need them or may find them disruptive. In other non-monetary considerations (flexibility, support for grid optimisation, and support for innovation and competition) option 4 ranks highest. As the economic indicator for Option 4 are positive, and directional changes likely to increase the ratio of benefits to cost over time, and it is the strongest in non-monetary rank, we consider that Option 4 is the preferred option.

The preferred option aligns with the DESNZ's objectives to improve efficiency and empower consumers. It also aligns with broader strategic initiatives such as the Clean Power by 2030 mission and net zero climate goals. The proposal complements Ofgem's consumer confidence programme and long-term regulatory strategy, reinforcing both market stability and consumer trust.

11. Monitoring, Evaluation and Feedback

11.1 As soon as the preferred option is implemented it will be possible to start monitoring information on the number of standard payments made in relation to each GSOP. This can then be used to enhance current GSOP reporting documents.

11.2 In addition, as noted, it should be possible to assess general progress using information from consumer surveys.

11.3 Our view is that an evaluation of the measures should be possible after a year. Also it will be clear by this point progress against new DESNZ rollout expectations will be evident. This will be important as there may be interdependencies between rollout and performance as measured through GSOP payments.

Appendix 1 Cost Indicators

A1.1 In this section all set up are allocated to year 1 (i.e. not annualised as in the main text).

A1.2 The average costs to suppliers presented above indicates setup costs related to implementing GSOP 3 to be the most expensive per customer but have the lowest annual ongoing costs. The values below are calculated by taking the sum of the estimated costs of each GSOP provided by suppliers and then dividing this figure by the number of domestic and non-domestic microbusinesses. Only suppliers who provided data for that individual GSOP are included in the calculation. That is if a supplier only provided data for GSOPs 1 and 3, they will only be included in these GSOP calculations and not GSOPs 2 and 4.

Table A.1: Average transitional setup and annual ongoing costs of implementing each GSOP per customer.

	Average Transitional Setup Cost to Supplier per Customer	Average Additional Ongoing Cost to Supplier per Customer
GSOP 1	£0.25	£0.48
GSOP 2	£0.25	£0.51
GSOP 3	£0.40	£0.06
GSOP4	£0.30	£0.38

A1.3 Tables A.2 and A.3 are the total setup and annual ongoing costs respectively for introducing each GSOP, across all suppliers who responded with the relevant data to the RFI. GSOP4 is the costliest of the proposals to introduce with setup costs across all suppliers estimated to be over £20.7m as shown below. GSOP4 is the costliest of the proposals to introduce with setup costs across all suppliers estimated to be over £20.7m as shown below.

Table A.2: Total setup costs of implementing each GSOP.

	Domestic	Non-Domestic
GSOP 1	£1.6m	£0.08m
GSOP 2	£1.6m	£0.10m
GSOP 3	£2.2m	£0.12m
GSOP4	£20.7m	£0.06m

Table A.3: Total annual additional ongoing costs related to each GSOP.

	Domestic	Non-Domestic
GSOP 1	£1.09m	£0.09m
GSOP 2	£0.33m	£0.15m
GSOP 3	£1.30m	£0.09m
GSOP4	£5.51m	£0.13m