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## OFGEM TO BREAK DOWN BARRIERS TO SMART METERS

- **Ofgem's detailed consultation concludes that smart meters can deliver benefits to customers**
- **Ofgem's role is to break down regulatory barriers preventing suppliers installing smart meters**
- **Energy suppliers must now take up the challenge of delivering smarter metering solutions to their domestic customers**

Energy regulator Ofgem today (Friday) challenged energy suppliers to bring household energy meters into the 21st century after it announced an industry-wide programme to break down barriers to smart metering.

Smart meters could put an end to estimated bills and the need for meter readers to call as well as cutting household energy consumption, which would deliver savings in carbon emissions and on bills.

Ofgem will form an industry-wide group to set standards for smart meters and remove the regulatory barriers suppliers face in installing smart meters in customers' homes. This includes requirements to inspect meters every two years, which reduces the cost savings of installing meters that can be remotely read. The Government recently signalled its interest in smart metering, by allocating money in the budget for a pilot scheme. Ofgem is discussing with Government a possible role for Ofgem in managing the trial.

Ofgem's Chief Executive Alistair Buchanan, said: "Ofgem is determined to play our part in paving the way for a more widespread take-up of smart meters by removing regulatory barriers that make it difficult for suppliers to install smart meters. Such are the potential benefits of smart meters that wait and see is not an option. It is now up to suppliers to rise to the challenge to deliver a smarter future for the household energy meter.

"Energy suppliers are in the best position to offer a range of smarter meters which best meet the individual needs of customers. Better information, like showing energy consumption in pounds and pence, will empower customers to manage their energy consumption more effectively, helping them to cut bills and reduce carbon emissions.

"Smarter meters will also help the industry's efforts to improve billing by removing the need for estimated meter reads."

Ofgem's in-depth look at smart metering concluded that it would be wrong to impose a centrally planned "one size fits all" solution on customers. This is because there is a whole range of different smart meters on offer which vary widely in what they can do and how much they cost. The majority of respondents to Ofgem's consultation did not support re-regulation as a solution to introducing more smart meters.

Trying to enforce a centrally agreed standard on over 26 million customers with differing needs would risk denying customers the opportunity to be supplied with a meter which best meets

their individual requirements. Technological advances could also mean that a centrally planned approach could impose a solution which might quickly be surpassed by better and cheaper designs.

Ofgem's consultation has also shown that there may be cheaper alternatives than smart meters, like energy display panels, which work with existing meters to give customers information on their energy use. These offer suppliers a further option to help give customers better information about their energy use.

## **Notes to editors**

### **1. Ofgem's statutory duties**

Ofgem's principal objective is to protect the interests of customers, wherever appropriate by promoting effective competition. As there is a lack of evidence to show that customers would benefit from the compulsory fitting of smart meters Ofgem cannot support this action which would increase customers' bills.

### **2. Going forward**

The Ofgem-led industry working group will be looking at issues that could act as a barrier to the installation of smart meters, for example, ensuring that all energy suppliers can use new designs for smart meters. This will prevent customers being left with a meter which restricts their choice of supplier. Ofgem is also looking at the requirement on energy suppliers to inspect meters every two years as this reduces the incentive on suppliers to install smart meters that can be remotely read.

The European Union has also issued a directive which came into force in April this year. The Directive requires that smart meters are used for all new connections in new buildings and where existing meters are replaced, the latter in so far as it is technically possible, financially reasonable and proportionate. Ofgem is awaiting guidance from Defra on how the Government will enforce this directive.

### **3. Metering price controls**

Ofgem has also published today a review of price controls on domestic gas and electricity meters. As Ofgem has an ongoing Competition Act investigation of National Grid's Metering Service Arrangements for domestic gas meters it has been decided to defer consulting on the price control for gas meters. In electricity Ofgem considers that competition in metering sufficiently developed to lift the remaining price controls. For more information see "Metering Price Control Review" available from the Ofgem website on [www.ofgem.gov.uk](http://www.ofgem.gov.uk).

4. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.

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