



Secretary of State, Holders of Gas and Electricity Supply Licences, consumers and their representatives, consumer bodies and other interested parties

Promoting choice and value for all gas and electricity customers

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Dear Colleagues,

Review of developments with the use of load limiting functionality

We have recently undertaken a **review of developments with the use of load limiting functionality**. Load limiting is where the flow or amount of electricity supplied to a customer is restricted¹. This statement sets out our findings; our expectations for future engagement with suppliers in this area; and next steps.

Context

In February 2011, we published the *Smart Metering Spring Package – Addressing Consumer Protection Issues* consultation. This was followed in June 2011 by the publication of the *Smart Metering Consumer Protections Package* statutory consultation and subsequent licence modifications published in September 2011. The new licence conditions took effect on 1 October 2011.

This package of measures ('the Spring Package') was designed to implement and maintain consumer protections in light of moves by some suppliers to install smart meters ahead of the mandated roll-out of smart meters. Alongside other issues, the package considered the use of load limiting functionality which is the focus of this statement.²

Load limiting

In order to comply with the Smart Metering Equipment Technical Specifications, smart metering systems will need to support load limiting functionality.

Load limiting may bring benefits to consumers. Prepayment customers might, for example, find load limiting functionality useful in allowing them to continue using basic appliances such as lights/the fridge/freezer on running out of credit. However, we are keen that the use of load limiting functionality does not expose consumers to disconnection 'by the back door'. We also wish to see load limiting functionality introduced in a way that it is clear and easy for consumers to understand.

¹Load limiting is defined in Standard Licence Condition 1 of the Electricity Supply Licence as meaning 'the practice by which the licensee limits the number of kilowatts or kilowatt hours supplied to a Domestic Premises in accordance with a Domestic Supply Contract ...'

² Our initial proposals in this area were informed by research that we published in February 2011 into customer reactions to alternative disconnection methods for credit customers and alternatives to self-disconnection for those who run out of credit on a prepayment meter. *Consumer Research on Disconnection Methods – Report by FDS International, February 2011*, <http://www.ofgem.gov.uk>

As part of the Spring Package, we introduced supply licence modifications defining load limiting and the circumstances where load limiting would be considered as being tantamount to disconnection. We also committed to review developments in this area. Meanwhile suppliers committed to consulting with both Ofgem and Consumer Focus before introducing any load limiting tariffs.

Our review and findings

In recent months we have liaised with suppliers, supplier representatives and Consumer Focus to learn whether there have been any developments in this area and the nature of any such developments.

In conducting this review, we have not identified plans to trial or introduce load limiting in the domestic sector in the near future. Indeed we understand that the majority of suppliers are some way off developing plans for the use of load limiting in the domestic sector, if they intend to utilise the functionality at all.

Next steps

In the absence of significant developments in this area, we are not proposing the introduction of new measures specifically targeted at load limiting at this time. However, given the importance of the issue to consumers, we intend to continue tracking developments. We will consider whether further protections may be needed in light of future developments.

Continuing engagement with suppliers

We expect suppliers to continue to meet the commitment they made as part of the Spring Package last year to seek input on proposals from both Ofgem and Consumer Focus prior to utilising any load limiting functionality. **We expect this commitment to apply where suppliers are planning to utilise load limiting functionality in any form in the domestic sector, including where a supplier intends to run a trial utilising load limiting functionality.**

Related work

Our work to review developments with load limiting, and the wider Spring Package, forms part of our broader drive to implement early consumer protections ahead of the mandated roll-out of smart meters. This includes introducing supply licence modifications to support effective switching for customers with early smart meters. We are also advising DECC on the design of the regulatory framework underpinning the Smart Metering Implementation Programme. In this context, our work includes observing and providing input to the development of the Smart Metering Installation Code of Practice and the Data Access and Privacy framework.

If you have any questions about this statement, please contact Jonathan Blagrove jonathan.blagrove@ofgem.gov.uk.

Yours sincerely



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