

Suppliers, consumer groups and
other interested parties

25 April 2014

Monitoring suppliers' smart meter roll-out activities

This letter sets out the initial data we propose to collect from suppliers on their roll-out activities. It also sets out our high-level plan for obtaining data from suppliers and our intention to issue a joint response to this open letter and our consultation on supplier reporting of smart meter roll-out plans¹.

Ofgem² regulates the gas and electricity markets in GB. We have an important role in ensuring the interests of consumers remain protected both during the transition to smart metering and in the enduring framework. We also play a key role in monitoring and, where appropriate, enforcing compliance with any new regulatory obligations relating to smart meters.

We monitor suppliers in a number of different ways, such as regular meetings with industry parties and analysing consumer complaints data.

In developing the overall policy design for the smart meter roll-out, the Department for Energy & Climate Change (DECC) gave us a power in the supply licences to obtain information from suppliers.^{3 4}

We intend to use this power to fulfil two goals:

- To assist our monitoring of supplier compliance with obligations.
- To monitor the consequential impact of the smart meter roll-out on consumers and the retail market.

We have already sought views on supplier reporting of smart meter roll-out plans.⁵ We set out below the initial data we propose to collect from suppliers on an annual basis using our supply licence monitoring powers:

	What we propose to collect	Rationale
1	Number of customers who have had a smart meter installed.	To assist in monitoring compliance with the obligation on suppliers to offer an IHD.

¹ Our consultation on supplier reporting of smart meter roll-out plans can be found here:

<https://www.ofgem.gov.uk/ofgem-publications/82551/20130730supplierreportingtoofgemduringthesmartmeterroll-out.pdf>

² The Office of Gas and Electricity Markets (Ofgem) supports the Gas and Electricity Markets Authority ('the Authority') in its day-to-day work (in this letter, 'we' and 'us' are used to refer to both 'Ofgem' and 'Authority').

³ See Standard Licence Condition (SLC) 44 of the Electricity Supply licence and SLC 38 of the Gas Supply Licence.

⁴ DECC's Response on providing these powers can be found here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69995/7223-gov-resp-consultation-sm-licence-dcc.pdf

⁵ Our consultation on supplier reporting of smart meter roll-out plans can be found here:

<https://www.ofgem.gov.uk/ofgem-publications/82551/20130730supplierreportingtoofgemduringthesmartmeterroll-out.pdf>

	Of these, number of customers who had an IHD installed at the time of the smart meter installation.	
2	Number of Public Service Register (PSR) customers who have had a smart meter installed. Of these, number of customers who had an IHD installed at the time of the smart meter installation.	To understand the extent to which PSR customers are being included in the roll-out
3	Number of IHDs reported faulty within one year of smart meter install and how many were replaced at no cost.	To assist in monitoring compliance with the obligation on suppliers to replace a faulty IHD within one year of it being given to the consumer.
4	Number of IHDs reported faulty between one and two years after smart meter install and how many were replaced. Indicate how many months after smart meter install the IHD is understood to have become faulty.	To assist in monitoring whether consumers are losing a key benefit of the smart meter roll-out due to an IHD not being replaced.
5	Total number of customers who informed the supplier that they do not want to have a smart meter installed.	To assist in monitoring suppliers' consumer engagement performance.
6	Number of customers with a traditional prepayment meter who have had a smart meter installed.	To understand the extent to which prepayment customers are being included in the roll-out.
7	The number of cases of gas and electricity theft detected when visiting the property for a smart meter installation, estimation of the volume of gas and electricity stolen and of the volume recovered.	To assist in monitoring the scale of energy theft and in estimating the value of energy stolen and recovered after detection.
8	Number of customers that have a smart meter installed, by postcode.	To assist in monitoring the relationship between observed switching and the smart meter roll-out.

We propose to collect data relating to domestic consumers and, where applicable, non-domestic consumers who are defined as 'designated premises' in the electricity and gas supply licences⁶.

DECC is already collecting data from suppliers using their own powers.⁷ To reduce burden on suppliers, we will align our data collection activities with DECC's as far as is practicable. We are also conscious of the regulatory burden on smaller suppliers. Therefore, we intend to exclude gas suppliers with less than 250,000 domestic and smaller non-domestic meter points and electricity suppliers with less than 250,000 domestic and smaller non-domestic meter points from our initial monitoring work. This threshold aligns with the threshold we have proposed in our consultation on supplier reporting. Suppliers that fall below this threshold may be included at a later point as the volume of smart meter installations increases.

Questions for consultation

Question 1: Do you consider that the above proposals place a fair and proportionate regulatory burden on suppliers?

⁶ Non-domestic consumers in Profile Classes 1-4 for electricity, and non-domestic consumers with annual consumption below 732MWh/Yr for gas.

⁷ See Standard Licence Condition (SLC) 43 of the Electricity Supply licence and SLC 37 of the Gas Supply Licence.

Question 2: Can you propose alternative methods of monitoring suppliers' activities in these areas which are as or more effective, while imposing less of a burden?

We would welcome any feedback on this question by 20 June. Please send your responses to Smartermarkets@ofgem.gov.uk.

Next steps

We intend to issue a single response in summer to both this consultation and our consultation on supplier reporting of smart meter roll-out plans. We will engage with suppliers on the specific form and content of our reporting templates in autumn. Our intention is to issue our information request late in 2014 with suppliers' responses due in January 2015, in line with DECC's existing monitoring arrangements.

What we propose above marks our initial proposed data collection activities. Our process for monitoring suppliers' roll-out activities will evolve as the numbers of smart meters being installed increases, SMETS 2⁸ meters becomes available and the Data and Communications Company goes live. We expect that we will collect additional data for 2015 to account for this and plan to consult on this beforehand.

We may also issue one-off requests for information in relation to other information not captured above. For example, we will consider whether to request information regarding compliance with security and data access and privacy obligations. As these are unlikely to be standing reporting requirements, we do not expect to consult publically on them.

In addition to this roll-out monitoring activity, future monitoring requirements relevant to our broader Smarter Markets programme will be considered by individual work areas such as the Consumer Empowerment and Protection⁹ project.

Please contact Paul.Fuller@ofgem.gov.uk with any questions.

Kind regards,

Rob Church
Associate Partner, Smarter Markets and Smarter Metering

⁸ The second version of the Smart Metering Equipment Technical Specifications, which is currently under development:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209840/SMIP_E2E_SMETS2_govt_consultation_response_part_2_final.pdf

⁹ More information on our Consumer Empowerment and Protection project can be found here:

<https://www.ofgem.gov.uk/ofgem-publications/85157/consumerempowermentandprotectioninsmartermarkets.pdf>