



Holders of Electricity and Gas Supply licences, licence exempt suppliers, consumers and their representatives and other interested parties

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*Promoting choice and value for all gas and electricity customers*

Phone: 020 7901 7000  
Email: [smartermarkets@ofgem.gov.uk](mailto:smartermarkets@ofgem.gov.uk)

Date: 29 March 2011

Dear Colleagues,

**Supporting effective switching for domestic customers with smart meters: further statutory consultation and notice.**

This letter and attached statutory notice constitute a second statutory licence consultation on our proposal to introduce new licence conditions for domestic gas and electricity suppliers designed to protect domestic customers who have 'early smart meters' (known as Advanced Domestic Meters (ADMs)). These proposed conditions are intended to support effective switching for customers during the early, voluntary deployment of domestic meters with smart capability.

**Background**

In December 2011 we issued a decision document "Supporting effective switching for domestic customers with smart meters (187/11)"<sup>1</sup> That document set out our proposals to introduce new supply licence conditions aimed at:

- increasing the information available to domestic customers regarding the extent to which any advanced meter services they are receiving through their ADM would be maintained when they switch supplier. Our aim is for domestic customers to make well informed decisions and help facilitate the switching process.
- helping the new supplier seeking to operate the meter so as to continue to provide advanced meter services.

The document also contained a statutory licence consultation on the proposed licence changes.

We are currently considering the responses we have received to our December document. We will provide a consolidated response to that consultation together with the matters being consulted on in this document.

Following further analysis of the licence conditions attached to the December 2011 document, we have identified the need for two changes to the licence conditions. Ofgem considers it is appropriate to re-consult on the licence conditions with these amendments.

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<sup>1</sup> <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=27&refer=Markets/sm/metering/sm>

We are therefore issuing new statutory notices of our intention to change the gas and electricity supplier licences. These replace those published with the December document and are set out in the attached appendices.

An explanation of these changes and our associated reasoning is set out below. We also attach the revised impact assessment.

## **Proposed changes to the licence conditions consulted on in December 2011**

### *Implementation date for the service obligation*

In our December document, we said that we intended to introduce an obligation for large suppliers installing significant numbers of ADMs to (where requested by the new supplier) offer to provide services that are reasonably required by the new supplier to maintain ADM functionality.

This obligation would have come into effect at the same time as the other obligations; a minimum of 56 days after the Authority published its decision to make the modification. However, we recognise that industry would need more time to develop arrangements to support this particular obligation after the other proposed obligations came into effect. We are therefore amending the proposed licence conditions to make it clear that this obligation (25B.9), should we decide to make it, will take effect from 1 January 2013.

All other obligations, again should we decide to make them, would have effect 56 days following the publication of our decision to modify the licences.

### *Setting the threshold for the service obligation*

Further analysis of the proposed licence conditions identified a discrepancy in the drafting of the proposed obligation 25B.10. This paragraph was aiming to set the threshold requirements for when the installing supplier must provide services to a new supplier. The drafting included in the condition did not reflect the policy described in the December 2011 consultation.

We have therefore reworded the text to make it clear that the installing supplier is only required to provide advanced meter services where they have 250,000 domestic customers or more and have installed or arranged to have installed either 25,000 (or more) ADMs or 5,000 (or more) prepayment ADMs. The revised text is:

25B.10 The Installation Licensee is not required to comply with paragraph 9 where it-

- (a) supplies electricity to fewer than 250,000 Domestic Customers; or
- (b) has installed or arranged to have installed fewer than-
  - (i) 25,000 Advanced Domestic Meters; and
  - (ii) 5,000 Prepayment Advanced Domestic Meters.

## **Next Steps**

We welcome responses to this consultation. These should be sent (preferably in electronic form) by no later than 17:00 on 1 May 2012 to:

### **Paul Fuller**

Analyst  
Smarter Markets  
9 Millbank  
London  
SW1P 3GE  
Email: [smartermarkets@ofgem.gov.uk](mailto:smartermarkets@ofgem.gov.uk)

Following closure of this consultation on 1 May 2012, the Authority will consider any responses together with those we received commenting on the December document and determine whether the proposed changes set out in the attached appendices will be made.

If the decision is to make the proposed modifications, our intended aim is for the proposed modifications set out in the schedule to the attached notice to take effect 56 days after the decision to modify is published.

If you have any questions on the issues raised by this consultation, please contact Paul Fuller on 020 7901 7242 or Nigel Nash on 020 7901 7065.

Unless marked confidential, all responses will be published in full on our website at [www.ofgem.gov.uk](http://www.ofgem.gov.uk). You may request for your response, or part of it, to be kept confidential. We will try to respect this request in so far as this is compatible with our statutory functions and any obligations to disclose information, for example, under the Freedom of Information Act 2000. Respondents who wish to have their responses remain confidential should clearly mark their document(s) to that effect and include the reasons for confidentiality.

Yours faithfully,

**Colin Sausman**  
**Partner, Smarter Markets**  
**Ofgem**

## **Appendix 1 – Proposed Licence Conditions**

### **SCHEDULE**

#### **PROPOSED MODIFICATION PURSUANT TO SECTION 11A OF THE ELECTRICITY ACT 1989 OF THE STANDARD CONDITIONS OF THE ELECTRICITY SUPPLY LICENCES GRANTED OR TREATED AS GRANTED UNDER SECTION 6(1)(d) OF THE ELECTRICITY ACT 1989.**

##### **1. Proposed new standard condition 25B**

The text below constitutes the proposed new standard condition 25B:

##### **Condition 25B. Commercial interoperability of Advanced Domestic Meters**

##### **Information to be provided in respect of Advanced Domestic Meters**

25B.1 Where the licensee is the Relevant Electricity Supplier to a Domestic Customer with an Advanced Domestic Meter and that Domestic Customer intends to change their Electricity Supplier and continue to use that Advanced Domestic Meter at the Domestic Premises, the licensee must take (and ensure that any Representative takes) all reasonable steps to ensure that, as from the date another supplier becomes the Relevant Electricity Supplier for those premises:

(a) no misleading or inaccurate information relating to Charges for the Supply of Electricity will be provided to the Domestic Customer via an Electronic Consumption Data Display and the Advanced Domestic Meter which relates to, or arises from, the Domestic Supply Contract previously entered into between the licensee and the Domestic Customer; and

(b) all historic consumption information is retained on the Electronic Consumption Data Display and the Advanced Domestic Meter.

25B.2 Before the licensee enters into a Domestic Supply Contract with a Domestic Customer, the licensee must take (and ensure that any Representative takes) all reasonable steps to:

(a) ascertain whether an Advanced Domestic Meter is installed at the Domestic Premises;

(b) where an Advanced Domestic Meter is installed at the Domestic Premises, obtain information about the functionality of that Advanced Domestic Meter;

(c) communicate to that Domestic Customer in plain and intelligible language an explanation of the nature and effect of any potential variations to the services related to the functionality of the Advanced Domestic Meter installed at the Domestic Premises that might be to the disadvantage of the Domestic Customer.

25B.3 Where paragraph 2 applies, the licensee must take and retain (and ensure that any Representative takes and maintains) appropriate record of its compliance with the requirements of paragraph 2 of this condition.

25B.4 Before the licensee or any Representative installs an Advanced Domestic Meter, the licensee must take (and ensure that any Representative takes) all reasonable steps to communicate to that Domestic Customer in plain and intelligible language a statement to the effect that if they change their Electricity Supplier they may not be able to receive the same services in respect of the functionality of the Advanced Domestic Meter installed at their Domestic Premises.

## **General obligation to help maintain Advanced Domestic Meter services**

25B.5 This paragraph applies where:

- (a) the licensee is the Installation Licensee; and
- (b) a Proposed New Electricity Supplier has requested the information referred to in paragraph 6 from the Installation Licensee.

25B.6 Where paragraph 5 applies, the Installation Licensee must, as soon as reasonably practicable, provide the Proposed New Electricity Supplier with such information as is reasonably required to:

- (a) enable the Proposed New Electricity Supplier to determine the functionality of the existing Advanced Domestic Meter at the particular Domestic Premises (hereafter referred to as 'the relevant premises'); and
- (b) enable the Proposed New Electricity Supplier to maintain all or part of the services related to the functionality of the existing Advanced Domestic Meter at the relevant premises.

25B.7 The licensee is not required to give information under paragraph 6, if doing so would seriously and prejudicially affect its commercial interest or might be expected to be incompatible with any legislation, rule of law or licence condition.

25B.8 The licensee is not required to give information under paragraph 6 which it could not be compelled to produce or give in evidence in civil proceedings before a court.

25B.9 Where the Installation Licensee receives a request from a Proposed New Electricity Supplier, after 31<sup>st</sup> December 2012, the Installation Licensee must:

- (a) offer to provide the Proposed New Electricity Supplier with all such services as are reasonably required for the Proposed New Electricity Supplier to maintain all of the services related to the functionality of the existing Advanced Domestic Meter at particular Domestic Premises (hereafter referred to as 'the relevant services'); and
- (b) if the offer referred to in sub-paragraph (a) is accepted, provide the Proposed New Electricity Supplier with the relevant services in accordance with that offer.

25B.10 The Installation Licensee is not required to comply with paragraph 9 where it-

- (a) supplies electricity to fewer than 250,000 Domestic Customers; or
- (b) has installed or arranged to have installed fewer than-
  - (i) 25,000 Advanced Domestic Meters; and
  - (ii) 5,000 Prepayment Advanced Domestic Meters.

25B11 The licensee is not required to comply with Standard Condition 25B.9 to such extent as the Authority may from time to time direct.

## **Replacement of a prepayment Advanced Domestic Meter**

25B.12 Where a Domestic Customer with a Prepayment Advanced Domestic Meter intends to change their Electricity Supplier at the same Domestic Premises to the licensee, and will continue to pay Charges for the Supply of Electricity in advance through a Prepayment Meter, but the licensee is unable to support the existing Prepayment Advanced Domestic Meter, the licensee must install or arrange to install a replacement Prepayment Meter at no charge to the Domestic Customer.

25B.13 The licensee must provide to the Authority, in such manner and at such times as the Authority may reasonably require, such Information as the Authority may require or deem necessary or appropriate to enable the Authority to monitor the licensee’s compliance with this condition.

25B.14 The licensee is not required to comply with paragraph 13 if it could not be compelled to produce or give the Information in evidence in civil proceedings before a court.

**Definitions for condition**

25B.15 For the purposes of this condition:

Advanced Domestic Meter	means an Electricity Meter that, either on its own or with an ancillary device: (a) provides measured electricity consumption data for multiple time periods and is able to provide such data for at least daily periods; (b) is able to provide the licensee with remote access to such data; and (c) is not an Electronic Consumption Data Display.
Electronic Consumption Data Display	means an electronic device that provides information, by electronic display, for the purposes of ascertaining the quantity of electricity supplied to Domestic Premises and/or information relating to Charges for the Supply of Electricity, in relation to Domestic Premises where an Advanced Domestic Meter is installed.
Installation Licensee	means the Electricity Supplier who has installed or arranged to have installed an Advanced Domestic Meter at the Domestic Premises of a particular Domestic Customer.
Prepayment Advanced Domestic Meter	means a Electricity Meter that, either on its own or with an ancillary device: (a) provides measured electricity consumption data for multiple time periods and is able to provide such data for at least daily periods; (b) is able to provide the licensee with remote access to such data; (c) operating in a mode which requires a Domestic Customer to pay Charges for the Supply of Electricity in advance; and (d) a reference to the installation or removal of a Prepayment Meter includes the switching of any Electricity Meter to or from such a mode;
Proposed New Electricity Supplier	means an Electricity Supplier that is not the Installation Licensee and is seeking to enter into a Domestic Supply Contract with a particular Domestic Customer.

**2. Proposed amendments to paragraph 7 of standard condition 22**

The text below which is highlighted by track changes constitutes the drafting changes envisaged in respect of the proposed modifications to paragraph 7 of standard condition 22 (insertions are shown by underlined text):

22.7 The licensee is not required to comply with the obligations set out in paragraphs 22.2 or 22.3 in any of the following circumstances:

(a) the licensee may breach regulations made under section 29 of the Act if it supplies electricity to the Domestic Premises, provided that it has taken all reasonable steps to prevent such breach from occurring;

(b) without prejudice to paragraph 12 of standard condition 25B, it is not reasonable in all the circumstances of the case for the licensee to supply electricity to the Domestic Premises, provided that, if it is already supplying electricity to the premises, it has given at least seven Working Days’ Notice of its intention to stop doing so; or

(c) the licensee requires the Domestic Customer to pay a Security Deposit and he does not do so, except if that deposit is in breach of any of the requirements in paragraphs 3 and 4 of standard condition 27 (Payments, Security Deposits and Disconnections).

**PROPOSED MODIFICATION PURSUANT TO SECTION 23(2) OF THE GAS 1986 OF THE STANDARD CONDITIONS OF THE GAS SUPPLY LICENCES GRANTED OR TREATED AS GRANTED UNDER SECTION 7A(1) OF THE GAS ACT 1986.**

**1. Proposed new standard condition 25B**

The text below constitutes the proposed new standard condition 25B:

**Condition 25B. Commercial interoperability of Advanced Domestic Meters**

**Information to be provided in respect of Advanced Domestic Meters**

25B.1 Where the licensee is the Relevant Gas Supplier to a Domestic Customer with an Advanced Domestic Meter and that Domestic Customer intends to change their Gas Supplier and continue to use that Advanced Domestic Meter at the Domestic Premises, the licensee must take (and ensure that any Representative takes) all reasonable steps to ensure that, as from the date another supplier becomes the Relevant Gas Supplier for those premises:

(a) no misleading or inaccurate information relating to Charges for the Supply of Gas will be provided to the Domestic Customer via an Electronic Consumption Data Display and the Advanced Domestic Meter which relates to, or arises from, the Domestic Supply Contract previously entered into between the licensee and the Domestic Customer; and

(b) all historic consumption information is retained on the Electronic Consumption Data Display and the Advanced Domestic Meter.

25B.2 Before the licensee enters into a Domestic Supply Contract with a Domestic Customer, the licensee must take (and ensure that any Representative takes) all reasonable steps to:

(a) ascertain whether an Advanced Domestic Meter is installed at the Domestic Premises;

(b) where an Advanced Domestic Meter is installed at the Domestic Premises, obtain information about the functionality of that Advanced Domestic Meter;

(c) communicate to that Domestic Customer in plain and intelligible language an explanation of the nature and effect of any potential variations to the services related to the functionality of the Advanced Domestic Meter installed at the Domestic Premises that might be to the disadvantage of the Domestic Customer.

25B.3 Where paragraph 2 applies, the licensee must take and retain (and ensure that any Representative takes and maintains) appropriate record of its compliance with the requirements of paragraph 2 of this condition.

25B.4 Before the licensee or any Representative installs an Advanced Domestic Meter, the licensee must take (and ensure that any Representative takes) all reasonable steps to communicate to that Domestic Customer in plain and intelligible language a statement to the effect that if they change their Gas Supplier they may not be able to receive the same services in respect of the functionality of the Advanced Domestic Meter installed at their Domestic Premises.

**General obligation to help maintain Advanced Domestic Meter services**

25B.5 This paragraph applies where:

(a) the licensee is the Installation Licensee; and



(b) a Proposed New Gas Supplier has requested the information referred to in paragraph 6 from the Installation Licensee.

25B.6 Where paragraph 5 applies, the Installation Licensee must, as soon as reasonably practicable, provide the Proposed New Gas Supplier with such information as is reasonably required to:

(a) enable the Proposed New Gas Supplier to determine the functionality of the existing Advanced Domestic Meter at the particular Domestic Premises (hereafter referred to as 'the relevant premises'); and

(b) enable the Proposed New Gas Supplier to maintain all or part of the services related to the functionality of the existing Advanced Domestic Meter at the relevant premises.

25B.7 The licensee is not required to give information under paragraph 6, if doing so would seriously and prejudicially affect its commercial interest or might be expected to be incompatible with any legislation, rule of law or licence condition.

25B.8 The licensee is not required to give information under paragraph 6 which it could not be compelled to produce or give in evidence in civil proceedings before a court.

25B.9 Where the Installation Licensee receives a request from a Proposed New Gas Supplier, after 31st December 2012, the Installation Licensee must:

(a) offer to provide the Proposed New Gas Supplier with all such services as are reasonably required for the Proposed New Gas Supplier to maintain all of the services related to the functionality of the existing Advanced Domestic Meter at particular Domestic Premises (hereafter referred to as 'the relevant services'); and

(b) if the offer referred to in sub-paragraph (a) is accepted, provide the Proposed New Gas Supplier with the relevant services in accordance with that offer.

25B.10 The Installation Licensee is not required to comply with paragraph 9 where it-

(a) supplies electricity to fewer than 250,000 Domestic Customers; or

(b) has installed or arranged to have installed fewer than-

(i) 25,000 Advanced Domestic Meters; and

(ii) 5,000 Prepayment Advanced Domestic Meters.

25B.11 The licensee is not required to comply with Standard Condition 25B.9 to such extent as the Authority may from time to time direct.

### **Replacement of a prepayment Advanced Domestic Meter**

25B.12 Where a Domestic Customer with a Prepayment Advanced Domestic Meter intends to change their Gas Supplier at the same Domestic Premises to the licensee, and will continue to pay Charges for the Supply of Gas in advance through a Prepayment Meter, but the licensee is unable to support the existing Prepayment Advanced Domestic Meter, the licensee must install or arrange to install a replacement Prepayment Meter at no charge to the Domestic Customer.

25B.13 The licensee must provide to the Authority, in such manner and at such times as the Authority may reasonably require, such Information as the Authority may require or deem necessary or appropriate to enable the Authority to monitor the licensee's compliance with this condition.

25B.14 The licensee is not required to comply with paragraph 13 if it could not be compelled to produce or give the Information in evidence in civil proceedings before a court.

**Definitions for condition**

25B.15 For the purposes of this condition:

Advanced Domestic Meter	means an Gas Meter that, either on its own or with an ancillary device: (a) provides measured gas consumption data for multiple time periods and is able to provide such data for at least daily periods; (b) is able to provide the licensee with remote access to such data; and (c) is not an Electronic Consumption Data Display.
Electronic Consumption Data Display	means an electronic device that provides information, by electronic display, for the purposes of ascertaining the quantity of gas supplied to Domestic Premises and/or information relating to Charges for the Supply of Gas, in relation to Domestic Premises where an Advanced Domestic Meter is installed.
Installation Licensee	means the Gas Supplier who has installed or arranged to have installed an Advanced Domestic Meter at the Domestic Premises of a particular Domestic Customer.
Prepayment Advanced Domestic Meter	means a Gas Meter that, either on its own or with an ancillary device: (a) provides measured gas consumption data for multiple time periods and is able to provide such data for at least daily periods; (b) is able to provide the licensee with remote access to such data; (c) operating in a mode which requires a Domestic Customer to pay Charges for the Supply of Gas in advance; and (d) a reference to the installation or removal of a Prepayment Meter includes the switching of any Gas Meter to or from such a mode;
Proposed New Gas Supplier	means a Gas Supplier that is not the Installation Licensee and is seeking to enter into a Domestic Supply Contract with a particular Domestic Customer.

**2. Proposed amendments to paragraph 7 of standard condition 22**

The text below which is highlighted by track changes constitutes the drafting changes envisaged in respect of the proposed modifications to paragraph 7 of standard condition 22 (insertions are shown by underlined text):

22.7 The licensee is not required to comply with the obligations set out in paragraphs 22.2 or 22.3 in any of the following circumstances:

(a) the licensee may breach regulations made under section 29 of the Act if it supplies gas to the Domestic Premises, provided that it has taken all reasonable steps to prevent such breach from occurring;

(b) without prejudice to paragraph 12 of standard condition 25B, it is not reasonable in all the circumstances of the case for the licensee to supply gas to the Domestic Premises, provided that, if it is already supplying gas to the premises, it has given at least seven Working Days' Notice of its intention to stop doing so; or

(c) the licensee requires the Domestic Customer to pay a Security Deposit and he does not do so, except if that deposit is in breach of any of the requirements in paragraphs 3 and 4 of standard condition 27 (Payments, Security Deposits and Disconnections).

## Appendix 2 – Notice of proposed modifications to supply licences

### **NOTICE of proposed modification of the standard conditions of the gas supply licence UNDER SECTION 23(2) OF THE GAS ACT 1986**

The Gas and Electricity Markets Authority (“the Authority”) hereby gives notice pursuant to section 23(2) of the Gas Act 1986 (“the Act”) as follows:

1. The Authority proposes to modify all gas supply licences granted or treated as granted under 7A(1) of the Act by the addition of amending SLC 25B with regard to advanced meter interoperability.
2. The reason(s) why the Authority proposes to make this licence modification is to minimise consumer detriment that may be experienced through having an advanced domestic meter installed and to ensure that consumers can continue to benefit from advanced meter functionality when they change supplier.
3. The effect of the proposed modification(s) is to minimise the difficulties faced by customers, with ADMs, on change of supplier. The proposed changes are also designed to facilitate the retention of advanced functionality by the customer on change of supplier.
4. Relevant licence holders for the purposes of this Notice are all holders of gas supply licences at the relevant time with Standard Condition 25B in force.
5. A copy of the proposed modification(s) and other documents referred to in this notice are available (free of charge) from the Ofgem library (telephone 020 7901 7003) or on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
6. Any representations to the proposed licence modifications may be made on or before 1 May 2012 to: Paul Fuller, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to [Paul.fuller@ogem.gov.uk](mailto:Paul.fuller@ogem.gov.uk).
7. All responses will normally be published on Ofgem’s website and held in the Research and Information Centre. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.
8. If the Authority decides to make the proposed modification it will take effect 56 days after the decision is published.

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**Colin Sausman, Duly authorised on behalf of the  
Gas and Electricity Markets Authority**

**[Date]**

**NOTICE of proposed modification of the standard conditions of the electricity supply licence UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989**

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 11A(2) of the Electricity Act 1989 ("the Act") as follows:

1. The Authority proposes to modify all electricity supply licences granted or treated as granted under 6(1)(d) of the Act by amending SLC 25B with regard to advanced meter interoperability
2. The reason(s) why the Authority proposes to make this licence modification is to minimise consumer detriment that may be experienced through having an advanced domestic meter installed and to ensure that consumers can continue to benefit from advanced meter functionality when they change supplier.
3. The effect of the proposed modification(s) is to minimise the difficulties faced by customers, with ADMs, on change of supplier. The proposed changes are also designed to facilitate the retention of advanced functionality by the customer on change of supplier.
4. Relevant licence holders for the purposes of this Notice are all holders of electricity supply licences at the relevant time with Standard Condition 25B in force.
5. A copy of the proposed modification and other documents referred to in this notice are available (free of charge) from the Ofgem library (telephone 020 7901 7003) or on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
6. Any representations to the proposed licence modifications may be made on or before 1 May 2012 to: Paul Fuller, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to Paul.Fuller@ofgem.gov.uk.
7. All responses will normally be published on Ofgem's website and held in the Research and Information Centre. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.
8. If the Authority decides to make the proposed modification it will take effect 56 days after the decision is published.

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**Colin Sausman, Duly authorised on behalf of the  
Gas and Electricity Markets Authority**

**[Date]**

## Appendix 3 – Impact Assessment

1.1 This appendix sets out our assessment of the potential impacts of the proposals discussed in the main document, against the key areas identified in our guidance on impact assessments. This impact assessment draws on, and supplements, the qualitative analysis set out in the main body of this document. In this appendix, we have sought to compare the potential impacts of our proposals being implemented, against the potential impacts if our proposals were not implemented.

### Impact on Consumers

#### *Enabling customers to make well informed switching decisions*

1.2 We are proposing new licence obligations on suppliers, to improve the information available to customers, with ADMs, on the potential impacts of switching supplier. We are proposing that suppliers should be required to inform customers of **any meter functionality and associated services they may lose if they switch supplier. This would apply both to** prospective suppliers gaining a customer with an ADM, and for suppliers installing ADMs.

1.3 We consider that these proposed obligations will help to address the risk of a consumer with an advanced meter unknowingly losing some functionality of the meter on change of supplier. Although it does not necessarily mean that advanced functionality will be retained in these circumstances, it should enable these customers to make more informed switching decisions.

1.4 Customers with an ADM are likely to assign a value to the extra functionality that their meter provides – though customers are likely to find the value of this benefit difficult to quantify. When making a decision to switch supplier, the customer should be able to weigh up this 'cost' of lost functionality against the benefits they will achieve from switching supplier.

1.5 If our proposals are not put in place, there is a risk that consumers may switch supplier without knowing that they may lose advanced meter functionality. This may result in a customer changing supplier to their detriment. This could result in consumer disengagement, potentially from both the process of switching supplier and from the roll out of ADMs/smart meters (with an associated impact on the expected cost savings for customers under smart meters).

#### *Providing customers with accurate consumption information*

1.6 We are proposing new obligations on suppliers to improve the accuracy of the information displayed on the advanced meter, upon change of supplier. These are obligations on the outgoing supplier to (i) delete any information on the meter and the home electronic display<sup>2</sup> relating to that supplier's charges; (ii) to ensure that all historic consumption information is retained on the meter and the home electronic display.

1.7 The first of these obligations is intended to mitigate the risk of a customer's advanced meter showing misleading information relating to their bill, ie information that is based on the contract with the outgoing supplier rather than the current supplier. If our proposal was not implemented, we consider there is a risk of consumers being misled, and

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<sup>2</sup> A device that provides information, by electronic display, for the purposes of ascertaining the quantity of gas/electricity and/or information relating to Charges for the Supply of Gas/Electricity. This definition is likely to include most in-home display devices (IHDs).

potentially being provided with less accurate information. We consider that this obligation will reduce these risks, helping customers to better manage their supply.

1.8 In relation to the second new obligation, we consider that consumers will benefit from having access to historic information so that they can analyse their historic energy usage and use this information to manage future energy. In the absence of our proposed change, there is a risk that suppliers could remove this data once a customer switches away, and this may negate some of the consumer benefits of having an ADM<sup>3</sup>.

#### *Preventing suppliers from charging domestic customers for a prepayment ADM exchange*

1.9 We have proposed to prohibit suppliers from charging customers the cost of replacing a meter on switch of supplier, if the meter replacement has been necessary to continue prepayment services. We consider that this proposal offers significant protection for customers on prepayment meters. If our proposal was not implemented, and a prepayment customer is required to pay for a potential meter exchange on changing supplier, then we assess that this is highly likely to discourage them from switching supplier.

#### *Maintaining ADM services on a change of supplier*

1.10 We have proposed that suppliers must cooperate to ensure a customer can retain ADM functionality when they switch supplier. Our proposals seek to make it more likely that consumers will be able to switch supplier and maintain their metering functionality, thereby enabling them to combine the advantages of having an ADM meter whilst still being able to switch in a competitive energy supply market. We are concerned that in the absence of this change, customers may be less likely to install and attain the benefits of an ADM, and if they have an ADM installed they may be less likely to change supplier.

#### *Costs to suppliers*

1.11 We consider that all of the proposals outlined in the section above are unlikely to have a significant impact on suppliers. We note that respondents to our October consultation also considered the costs to suppliers were not likely to be significant.

1.12 We recognise that suppliers may need to change existing processes as a result of our proposals, eg as part of the sales process they will need to determine if a customer has an ADM. We recognise that this may involve, for example, additional staff training and changes to existing training materials and other aids, but would not expect the costs associated with this to be significant. If our proposals were not implemented, we assess there to be a risk of increased complaints, which would involve additional costs to the supplier. Suppliers would also need to introduce new services and facilitate new data/information exchanges as a result of our proposals. Whilst it is for suppliers to determine the most cost-effective way of achieving this, we consider that these requirements could potentially be fulfilled by using existing methods of communication between suppliers including central industry systems. We consider that by extending the deadline for the obligations to offer services we are allowing those suppliers sufficient time to make the necessary arrangements.

1.13 We recognise that our proposals could introduce other additional costs on suppliers, eg in cases where a PPM meter has to be replaced. Our understanding is that current practice among suppliers is to absorb the costs of a meter exchange if a customer wishes to switch from credit to prepayment. We consider that meter exchanges for prepayment

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<sup>3</sup> Consumers are likely to benefit from having access to historic information so that they can analyse their historic energy usage and use this information to manage their energy use.

ADMs are likely to be rare, and therefore are likely to place a negligible cost on suppliers when compared to the costs of meter exchanges they currently absorb.

### **Impact on competition**

1.14 It is likely that a customer who is able to change supplier and maintain the advanced meter services they value will be more likely to switch to a supplier who can offer to maintain those services. We consider that our proposals help facilitate switching for consumers with ADMs and therefore have a positive impact in allowing consumers to participate in the competitive market.

1.15 If a customer values their ADM functionality and is only able to receive this service from their current supplier, then other suppliers may be hampered in their ability to attract that customer. Our proposals aim to enable customers to retain ADM functionality after they switch supplier and so seek to remove a potential market distortion.

1.16 We are placing an obligation on the installing supplier to provide services to the new supplier on change of supplier, to allow the new supplier to maintain ADM services. This obligation is only applicable to large suppliers. We consider that this will enable smaller suppliers to compete in offering ADM services without placing potentially burdensome costs on them. We consider that these costs would be proportionately less significant for larger suppliers to incur.

### **Impact on sustainable development**

1.17 Smart meters are an integral part of government's aim of transitioning to a low carbon energy sector<sup>4</sup>. The successful rollout of smart meters and ADMs is largely dependent on positive consumer engagement.

1.18 Our proposals are designed to minimise consumer detriment through experiences with ADM and therefore are likely to have a positive impact on consumer engagements with ADMs. Therefore we consider that our proposals have an indirect beneficial impact on sustainable development.

### **Impact on health and safety**

1.19 We do not consider that our proposals have any impacts on health and safety.

### **Risks and unintended consequences**

1.20 We are taking forward our proposals in parallel with the Programme. As with any area or work that is developing in parallel to related areas of change, it is important that we continue to work closely with the Programme to seek to avoid any potential misalignment. We are already engaging with government and are satisfied that our proposals do not overlap or contradict the Programme's ongoing work. We will continue to keep this under review to ensure our proposed changes remain fit for purpose.

1.21 Some respondents to our October consultation were concerned that our proposals could require investment in systems that have a short shelf-life as they will be replaced by systems designed to support compliant smart meters. We consider that industry is best placed to determine the most efficient method for making the necessary system changes. However, we are satisfied that any system changes are unlikely to be significant, and we would expect any potential costs to be outweighed by the consumer benefit likely to arise from our proposals.

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<sup>4</sup> *Smart Metering Implementation Programme – Response to Prospectus Consultation, DECC, March 2011.*

## Assessment overall

1.22 We consider that our proposals will enable innovation, testing and trialling of ADMs whilst encouraging suppliers to adopt strategies to inform customers and maintain advanced services where possible. We consider that our proposals put appropriate consumer protections in place given the numbers of ADMs we expect to be deployed. We also consider that our proposals allow for a competitive ADM market to develop, by not placing too onerous obligations on suppliers, thus benefiting future consumers.

1.23 Overall, we consider that the impacts of the proposals discussed above and in the main body of this document are likely to be largely beneficial to consumers and competition. Our proposals will have cost implications for suppliers but we consider that they are likely to be outweighed by the benefits to consumers and competition that our proposals seek to deliver.

## Analysis

1.24 We estimate that up to 5 million ADMs may have been rolled out before suppliers switch to rolling out fully compliant smart meters.

1.25 If we assume that customers with ADMs switch at a rate of 16.5%<sup>5</sup> then up to 1 million customers with ADMs may switch supplier before 2014 and our proposals may apply to all of these supplier transfers.

1.26 Of these switches, we forecast that:

- 91% of customers will switch to a supplier that may have to revert the meter to dumb mode
- 6% will switch to a supplier that supports Smart ADMs (in 'non-prepayment' mode)
- 3% will be switches involving prepayment ADMs, either to other suppliers that support ADMs (but not necessarily in prepayment mode) or that do not support ADMs.

1.27 We estimate that the vast majority of these switches will be customers switching to suppliers that may not support their meter so it is important that we put in place proposals that allow suppliers to maintain ADM functionality after they change supplier.

1.28 We note that only 3% of switches will involve prepayment ADMs and these are the meters most likely to need a meter exchange on a change of supplier. This suggests that meter exchanges are unlikely to be a significant issue but nevertheless we have put in place proposals to limit the potential for consumer detriment.

1.29 This is a very basic calculation but is designed to illustrate the scope of the level of switching that may affect ADMs, and the significance of putting proposals in place that address the risks of consumer detriment when switching supplier. We have set out the limitations to our analysis below.

### *Limitations to our analysis*

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<sup>5</sup> Based on switching figures in the *Energy Supply Probe – Initial findings report, Ofgem, 2008*.



1.30 The 5 million ADMs estimate is based on forecast rollout figures we have received from suppliers<sup>6</sup>.

1.31 The switching rate of 16.5% is based on the switching rate of domestic customers in general, not just those with ADMs. This is only a proxy and we recognise that many suppliers have informed us that customers are less likely to switch if they have an ADM installed.

1.32 This analysis only provides statistics until 2014 as it is unclear whether the Data and Communications Company will be able to support the ADMs that are currently being installed and so we do not have sufficient information to estimate the number of switches between 2014 and 2019, that will be captured by our proposals.

1.33 It is unclear how the prepayment ADM market will develop and so we have had to estimate that the proportion of prepayment ADMs compared to other ADMs is the same proportion of credit to prepayment meters in GB.

### *Conclusion*

1.34 We recognise that there are significant limitations to our analysis but consider that it is prudent to provide readers with an estimate the number of customers that may be impacted by issues associated with the ADM.

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<sup>6</sup> Based on the figures we received from suppliers at the end of Phase 1 of the Programme – updated with projected rollout numbers that suppliers have provided to us since.