

To: Licensee

**DIRECTION ISSUED BY THE GAS AND ELECTRICITY MARKETS AUTHORITY
PURSUANT TO LICENCE CONDITION 44.3 OF THE STANDARD CONDITIONS OF
THE ELECTRICITY SUPPLY LICENCE GRANTED OR TREATED AS GRANTED
PURSUANT TO SECTION 6(1)(D) OF THE ELECTRICITY ACT 1989 AND LICENCE
CONDITION 38.3 OF THE STANDARD CONDITIONS OF THE GAS SUPPLY
LICENCE GRANTED OR TREATED AS GRANTED PURSUANT TO SECTION 7A(1) OF
THE GAS ACT 1986 (the "Direction")**

WHEREAS

1. The company to whom this Direction is addressed ("the Licensee") holds:
 - (a) an electricity supply licence granted, or treated as granted, pursuant to section 6(1)(d) of the Electricity Act 1989 ("the Electricity Licence") in which standard condition 44 ("Roll-out Reporting, Setting and Achieving Annual Milestones, and Provision of Information to the Authority") has effect; and
 - (b) a gas supply licence granted, or treated as granted, pursuant to section 7A(1) of the Gas Act 1986 ("the Gas Licence") in which standard condition 38 ("Roll-out Reporting, Setting and Achieving Annual Milestones, and Provision of Information to the Authority") has effect.
2. The Gas and Electricity Markets Authority ("the Authority") has the power pursuant to condition 44.3 of the Electricity Supply Licence and condition 38.3 of the Gas Supply Licence to direct the Licensee to prepare and submit to the Authority, by a date specified in a direction issued by the Authority, a Roll-out Plan.
3. This Roll-out Plan must contain, among other things, Annual Milestones, set by the Licensee for such period as may be specified in the direction, for the purposes of the Licensee complying with its duties in relation to the provision, installation, operation, maintenance and use of Smart Metering Systems, In-Home Displays and Relevant Electricity or Gas Meters.
4. Pursuant to condition 44.11 of the Electricity Supply Licence and condition 38.11 of the Gas Supply Licence, a direction issued by the Authority may, in particular, specify:
 - (a) the format of the Roll-out Plan and the Progress Report;
 - (b) the form and manner in which the Annual Milestones need to be included in the Roll-out Plan;
 - (c) the Information the Licensee must include in the Progress Report, which may, where the Licensee is required to provide a roll-out report to the Secretary of State under standard condition 43 of the Electricity Licence or condition 37 of the Gas Licence, include such parts of the roll-out report as are specified in the direction;
 - (d) requirements in relation to the submission of the Roll-out Plan and Progress Reports to the Authority; and
 - (e) the manner and method by which any specified Information from the Roll-out Plan and any Progress Report must be published by the Licensee.
5. Pursuant to condition 44.5 of the Electricity Supply Licence and condition 38.5 of the Gas Supply Licence, a licensee shall be considered to have achieved an Annual Milestone set out in its Roll-out Plan where, by the end of the calendar year to which that Annual Milestone relates, it has reached at least 95% (or such lower percentage as may be specified in any direction issued to the licensee by the Authority) of that Annual Milestone.

6. In accordance with condition 44.6 of the Electricity Supply Licence and/or condition 38.6 of the Gas Supply Licence, the Licensee may submit a revised Roll-out Plan to the Authority.

NOW THEREFORE

7. The Authority hereby directs that, where paragraph 8 applies, the Licensee must prepare and submit to the Authority on 31 January 2018 a revised Roll-out Plan with revised Annual Milestones reflecting that knowledge or information.
8. This paragraph applies where the Licensee has prepared and submitted to the Authority a Roll-out Plan as directed in accordance with condition 44.3 of the Electricity Supply Licence and/or condition 38.3 of the Gas Supply Licence, and the Licensee has, or could be expected to have, knowledge or information that will or could have a material effect on the Annual Milestones or the Assumed Completion Rate in that Roll-out Plan.
9. The Authority hereby directs that, where a revised Roll-out Plan is submitted to the Authority in accordance with paragraph 7 of this Direction, or condition 44.6 of the Electricity Supply Licence and/or condition 38.6 of the Gas Supply Licence, such a plan must also contain a detailed explanation of the Licensee's reasons for the Annual Milestones it has set, which reasons must demonstrate how the licensee expects to meet the requirements in condition 39.1 of the Electricity Supply Licence and/or condition 33.1 of the Gas Supply Licence.
10. The Authority hereby directs the Licensee, where it submits a revised Roll-out Plan pursuant to paragraph 7 of this Direction, or condition 44.6 of the Electricity Supply Licence and/or condition 38.6 of the Gas Supply Licence, to provide that revised Roll-out Plan in the format of the template included in the Appendix to this Direction.
11. The Authority may amend the template appended to this Direction by Notice provided to the Licensee.
12. The Authority hereby notifies the Licensee that it shall be considered to have achieved an Annual Milestone set out in a revised Roll-out Plan submitted under paragraph 7 of this Direction where, by the 31 December of each calendar year to which that Annual Milestone relates, it has reached at least the percentage of that Annual Milestone as provided in the table set out in the Schedule to this Direction.
13. This Direction shall take effect on [insert date], and operates in conjunction with the previous directions issued to the Licensee by the Authority on 15 February 2016 and 17 November 2016.
14. The following documents constitute notice pursuant to section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986:
 - (a) This Direction; and
 - (b) [Corresponding consultation document].

INTERPRETATION

15. Unless a contrary intention appears, any reference in this Direction is to be read to have the same meaning given in the Electricity Supply Licence and/or the Gas Supply Licence.
16. In this Direction:

| | |
|-------------------------|---------------------------------------|
| Assumed Completion Rate | means, the percentage of a Licensee's |
|-------------------------|---------------------------------------|

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| | customer portfolio that will have a Smart Metering System or, where permitted, an Advanced Meter installed by the date provided in condition 39.1 of the Electricity Supply Licence, and/or condition 33.1 of the Gas Supply Licence |
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These documents are available on the Ofgem website: www.ofgem.gov.uk

Dated: [insert date]

Rob Salter-Church

Partner, Consumers and Competition

Authorised for that purpose by the Authority

SCHEDULE

This table sets out the minimum percentage that the Licensee must achieve, in each calendar year, of the Annual Milestones set out in its Roll-out Plan.

| Calendar year | Percentage |
|----------------------|-------------------|
| 2016 | 90% |
| 2017 | 90% |
| 2018 | 95% |
| 2019 | 95% |