



Making a positive difference  
for energy consumers

Gas and Electricity  
Suppliers, Consumer  
Groups, Meter Operators  
and other interested parties

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Dear Colleagues,

**Suppliers' responsibilities and restrictions on domestic smart meter installation costs – revised in light of changes to relevant Supply Licence Conditions (SLCs).**

Ofgem regulates the gas and electricity markets in Great Britain and plays a key role in monitoring and, where appropriate, enforcing compliance with any regulatory obligations relating to the roll out of smart meters.

When suppliers install meters, they will incur costs for metering equipment and labour. However, there may be instances where suppliers may also face additional costs associated with individual installations. Examples may include, where it is necessary to replace a decaying meter board; or fixing or replacing meter cupboard doors where this would otherwise prevent the installation of smart metering equipment from proceeding as planned.

In 2015, suppliers queried how they should approach the recovery of smart meter installation costs. To provide clarity to consumers and market participants, we set out in an open letter<sup>1</sup> the key licence conditions relevant to the recovery of installation costs. This letter re-affirms the position in our previous letter in light of changes to some of the licence conditions referred to at that time.

The effect of relevant licence conditions is that any costs associated with a standard installation of a smart meter cannot be recovered from an individual customer, and should instead be borne by a supplier's domestic customers more generally as an increment of the charges for energy supplied to them.

In this letter, we consider that the term standard installation would cover the installation of a Smart Metering System and ancillary work required in order for that consumer to take a supply of energy through that Smart Metering System.

We have set out below the key obligations on suppliers when recovering costs associated with installing smart meters.

Obligations affecting a supplier's recovery of costs of smart meter installations

Standard condition 22A of the gas and electricity supply licences require that any charges for supply activities (including the charges for the provision of a meter), must be incorporated

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<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/suppliers-responsibilities-and-restrictions-domestic-smart-meter-installation-costs>

within a supplier's standing charge and or unit rate. However these restrictions do not apply to a prescribed list of additional charges, which include the removal, installation, testing or repairing of a meter.

Gas SLC 35 and Electricity SLC 41 set out the framework and objectives of the SMICoP (Smart Metering Installation Code of Practice)<sup>2</sup> for domestic consumers. The code must at all times comply with the content requirements specified in the licence. These licence conditions set out that costs in relation to the provision, configuration, installation, operation, replacement and modification of a smart meter cannot be recovered from an individual customer, and should instead be borne by a supplier's domestic customers more generally as an increment of the charges for energy supplied to them<sup>3</sup>.

These requirements are reflected in the SMICoP:

- Paragraph 2.7.3 of SMICoP states that customers must be advised in advance of the installation visit that they will not be charged an upfront or one-off fee for the installation<sup>4</sup>.
- Paragraph 3.3.6. of SMICoP states that charging will not occur to recover costs of a standard installation.

#### Interaction with obligation to take all reasonable steps to install smart meters by 2020

Restrictions on being able to recover installation costs from individual customers does not entitle suppliers to forgo installing smart meters where they face additional costs associated with individual installations. The obligation to take all reasonable steps to install smart meters, as well as wider supplier obligations, still apply. This means that suppliers may need to absorb additional costs associated with installations.

While the onus remains on individual suppliers to take all reasonable steps, suppliers may be interested in Energy UK's good practice guidance document for suppliers<sup>5</sup>. We recognise that not all energy suppliers are Energy UK members. However, suppliers should consider learnings and good practice from wider industry to inform their approach to all reasonable steps. They may be required to justify they have done so when providing evidence of compliance against their 2020 rollout obligation.

#### Obligations for suppliers to consider in communications to customers where these issues arise

Under section 3.10 of the SMICoP, where a supplier considers an install cannot be completed the customer should be made aware of the reason(s) why. Where relevant, the supplier should have processes in place for a re-arrangement of an installation.

The Standards of Conduct (SLC 25C in Gas and Electricity) state that the Licensee and any representative of the Licensee must ensure that each Domestic Customer is treated fairly<sup>6</sup>. When faced with more complex installs than anticipated, suppliers should ensure that their actions and communications during smart meter installations take full account of these

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<sup>2</sup> <http://www.smicop.co.uk/>

<sup>3</sup> A limited exception to this prohibition is set out in gas SLC 35.6 and electricity SLC 41.9: Where a customer is offered a standard smart meter installation for free, turns this offer down and elects to have equipment that exceeds the minimum requirements of the Smart Metering Equipment or In Home Display Technical Specifications instead.

<sup>4</sup> Similarly to above footnote, there is an exception to this where the customer expressly requests and enters into a contract for equipment that exceeds the minimum Smart Metering Systems specifications.

<sup>5</sup> Energy UK's document can be found at: <http://www.energy-uk.org.uk/policy/smart-meters.html>

<sup>6</sup> We have recently published a statutory consultation on the Standards of Conduct, which proposes to amend the tests and thresholds within the Gas and Electricity Supply Licences so they have a sharper focus on consumer outcomes: <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-standards-conduct-suppliers-retail-energy-market>. This consultation proposes that the location of the Standards of Conduct will move to SLC 0 in the Gas and Electricity Supply Licences.

requirements. This includes suppliers considering what the appropriate behaviours and information provisions are for the customer in question (eg accounting for any vulnerabilities).

It is in the interests of industry and the wider smart meter programme to ensure that customers have a positive experience of smart metering. Suppliers should be thinking about ways to ensure that customers, are fully informed of any installation issues that arise; understand any next steps in the installation process; and are not unduly inconvenienced.

Yours faithfully,

Jacqui Russell

**Head of Smart Metering, Consumers and Competition**