



Making a positive difference  
for energy consumers

To all suppliers and other  
interested parties

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Date: 01 October 2019

Dear Stakeholder,

## **Statutory consultation on the post-2020 smart meter rollout supplier reporting requirements**

The existing obligation on energy suppliers to take all reasonable steps to install smart meters expires on 31 December 2020. The Government is consulting<sup>1</sup> on a new regulatory framework that will see the rollout continue beyond 2020. Under the proposed new obligation, Ofgem will continue to provide the regulatory oversight of energy suppliers' compliance with the smart meter rollout. This consultation sets out our proposals for the reporting requirements energy suppliers would be subject to under the proposed new obligation.

### The post-2020 obligation:

In its consultation, Government has set out its proposals for a new regulatory framework that will continue to drive market-wide rollout of smart and advanced meters to domestic and smaller non-domestic premises. The proposals would mean that all suppliers in the market would have binding annual installation targets (referred to as Energy Supplier Annual Milestones in the Government consultation)<sup>2</sup> to roll out smart and advanced meters to their remaining non-smart customer base until they reach a minimum smart coverage of 85% in their trajectory towards market wide rollout by 31 December 2024. Each year the annual milestones<sup>3</sup> would be re-set based on the proportion of a supplier's customer base without a Qualifying Metering System<sup>4</sup> as of 31 December of the previous year. Each year, suppliers

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<sup>1</sup> [Government Consultation: Smart meter policy framework post 2020](#)

<sup>2</sup> Ofgem draft licence conditions in Annex 2 also refer to Energy Supplier Annual Milestones. For the purposes of this consultation, we refer to these as annual milestones throughout the document.

<sup>3</sup> Defined as Annual Energy Supplier Milestones in Annex 2 & 3 of this consultation

<sup>4</sup> Means premises without a smart or advanced meter as set out in draft electricity standard licence condition 39A.3 and draft gas standard licence 33A.3 – [Government Consultation: Annex 1](#)

would have to meet their annual milestones within the allowed tolerance<sup>5</sup> for that year and failure to do so would be a breach of their supply licences.

Post-2020 reporting requirements:

The current 'all reasonable steps' obligation<sup>6</sup> has placed a not insignificant reporting burden on both suppliers and Ofgem. The proposed new obligation provides an opportunity to streamline the reporting requirements to ensure that they continue to strike the right balance between suppliers providing the required information and not being too onerous and burdensome for energy suppliers and Ofgem. Furthermore, where appropriate, we will align with any Government reporting to minimise the burden on suppliers.

With this in mind, we set out our proposals for supplier reporting requirements under the proposed new obligation below. We will take into account the Government's final decision on policy design before making our own decisions.

Under the new rollout obligation, suppliers must continue to ensure that their customers have a good end-to-end installation experience. The rules that define what customers can expect from their supplier (for example, the Smart Metering Installation Code of Practice) will remain in place beyond 2020 and we will continue to monitor compliance.

## **1. Overarching Principles**

This section sets out some overarching proposals for which suppliers would be expected to report to Ofgem. This includes proposed timings for when suppliers should report.

### **1.1 Reporting requirements for energy suppliers:**

***Minded-to position:*** For reporting purposes, we are minded to define large suppliers as those with 150,000 or more gas and/or electricity customer accounts as of 31 December of each year from 2020 to 2023; those with less than 150,000 gas and/or electricity customer accounts as of 31 December of each year from 2020 to 2023 will be defined as small suppliers.

#### ***Rationale:***

The Government's proposals, as set out in its consultation, would apply to all suppliers in the market regardless of size and will include new entrants. This is in line with the current obligation. However, under the current obligation, suppliers with more than 250,000 gas and/or electricity customer accounts are subject to the large supplier framework which

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<sup>5</sup> As set by Government

<sup>6</sup> Electricity Supply Licence SLC 39 & Gas Supply Licence SLC 33

includes both binding annual milestones and more onerous reporting requirements<sup>7</sup>. While all suppliers will now have binding annual milestones, we consider that it is proportionate that small suppliers should continue to be subject to somewhat less onerous reporting requirements under the proposed new obligation.

We are, however, proposing that a lower threshold should be put in place<sup>8</sup>. As of April 2020<sup>9</sup>, suppliers with 150,000 or more gas and/or electricity customer accounts will be obligated for the Energy Company Obligation and Warm Home Discount Scheme. Our proposals would see the smart metering reporting obligation align with these other obligations. Consequently, the reporting requirements energy suppliers would be subject to each year would be determined based on customer numbers as of 31 December of the preceding year.

## **1.2 Annual Reporting:**

***Minded-to position:*** We are minded to require all suppliers to report to Ofgem annually their annual milestones for both gas and electricity as well as their performance against these milestones.

### ***Rationale:***

Under the proposed new obligation, all suppliers would have binding annual milestones which they would calculate at the start of each year using the formula set out in the licence<sup>10</sup>. The milestones would be binding regardless of whether they have been reported to Ofgem. However, we consider that it will be important that both we and suppliers have a shared understanding of what the milestones are for the year. We are, therefore, proposing that all suppliers must report their calculated annual milestones to Ofgem. This will be important as a supplier's failure to meet either or both of their milestones, under the Government's proposals, would be a breach of their licence.

As would be expected, Ofgem will monitor supplier compliance closely and we are, therefore, minded to also require all suppliers to report on their performance.

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<sup>7</sup> [Ofgem Decision on Supplier Reporting](#)

<sup>8</sup> Suppliers above threshold are defined as "Relevant Suppliers" as set out in Annex 2 & 3 which contains the draft licence conditions.

<sup>9</sup> Decision on lowering the threshold for [ECO](#) & [WHD](#).

<sup>10</sup> [Government consultation: Smart Meter Policy Framework Post 2020](#)

### **1.3 Timing for reporting:**

***Minded-to position:*** We are minded to require all suppliers to report their annual milestones for the year ahead as well as their performance for the previous year to Ofgem on 31 January of each relevant year.

#### **Rationale:**

Under the current obligation, large suppliers report to Ofgem on 31 January each year and small suppliers on 1 April each year.

Having a deadline of 31 January under the new obligation would, for small suppliers, mean that they would have to report to Ofgem two months earlier in the year than they currently do. Large suppliers are currently able to meet this deadline and we expect that small suppliers would also be able to report to that timeline. It is our view that this date allows suppliers sufficient time to compile and QA their data to be included in the reports particularly in light of the fact that the proposed reporting requirements are less onerous than the current ones. It would also enable Ofgem to move through the process of reviewing the submitted reports early enough in the year so that suppliers can have confidence in what they will need to deliver. This is particularly important given that all suppliers, under the proposed new obligation, would be subject to binding annual milestones. We are, therefore, proposing that all suppliers should report to Ofgem by 31 January in each year commencing in 2021, their annual milestones for the year ahead as well as their performance for the previous year.

***We are inviting views on our minded-to positions set out in section 1.***

## **2. Beginning of Year Reporting**

This section sets out what both large and small suppliers will report on as part of their Beginning of Year Reporting.

### **2.1 Content of Beginning of Year Report – All suppliers:**

***Minded-to position:*** For Beginning of Year Reporting purposes, we are minded to require all suppliers to submit by 31 January in each of the four years from 2021 their calculated annual milestones for both gas and electricity for the upcoming year. This would include confirmation of their Qualifying Relevant Premises for both gas and electricity as well as total customer base as of 31 December of the preceding year.

### **Rationale:**

As set out in section 1.2, we are minded to require all suppliers to report to us their calculated annual milestones for the year. In order for Ofgem to review the calculation, our minded-to position is that suppliers should also submit to Ofgem the inputs to their calculation, as set out in the Government consultation<sup>11</sup>, which are: their number of Qualifying Relevant Premises<sup>12</sup> for both electricity and gas and the total customer base for both electricity and gas as of 31 December of the preceding year.

## **2.2 Additional Reporting for Large Suppliers:**

**Minded-to position:** *In addition to the information set out in section 2.1, we are minded to require large suppliers<sup>1</sup> to submit additional information in the following areas as part of their Beginning of Year reporting:*

- *The planned split of their annual milestone delivery to credit and pre-payment customers for both gas and electricity.*
- *The planned split of their annual milestone delivery to domestic and non-domestic customers for both gas and electricity.*
- *Projected installer capacity, productivity and abort rates for the upcoming year.*
- *Key dependencies and risks for the upcoming year.*

### **Rationale**

#### Segmentation of annual milestones

The proposed new obligation would enable suppliers to make their own commercial decisions about how to manage their rollout and their compliance with their binding annual milestones. However, we consider that it is important that suppliers demonstrate that all customers are able to access the benefits that a smart meter can bring and that no customer groups are being left behind. This is particularly important for non-domestic and pre-payment customers for whom there has been a delayed start to the rollout and who, arguably, have the most to benefit from receiving a smart meter. We are, therefore, proposing that large suppliers should report on the planned split of their annual milestone delivery to credit, pre-payment, domestic and non-domestic customers.

#### Installer capacity, productivity and abort rates:

Under the current obligation, large suppliers report this information to Ofgem. As the rollout progresses, it is likely that these will continue to be areas that suppliers will need to manage

<sup>11</sup> [Government Consultation: Annex 1](#)

<sup>12</sup> Means premises meeting the requirements set out in draft electricity standard licence condition 39A.3 and draft gas standard licence 33A.3 – [Government Consultation: Annex 1](#)

carefully. We are proposing that large suppliers should continue to report this information to Ofgem to give us confidence that these areas will not become a constraint on the rollout.

#### Key dependencies and risks for the year:

Whilst more straightforward from a regulatory perspective for both suppliers and Ofgem, the new post-2020 obligation is likely to present its own set of challenges for suppliers. We recognise that suppliers will have key dependencies and will face risks and we anticipate that customer engagement will continue to be an area which suppliers will need to actively manage. We are, therefore, proposing that large suppliers should set these out to Ofgem as part of their Beginning of Year Reporting, together with their mitigation strategies. This would give Ofgem confidence that suppliers are in a good position to be compliant with their binding annual milestones and would further enable us to share key observations on market-wide issues, as we do now through regular open letters. This information would also be useful in providing context for Ofgem in assessing the End of Year Performance Reporting.

#### Small vs large suppliers:

It is Ofgem's view that small suppliers should not be required to submit this additional information in order to ensure that these suppliers are not subject to a disproportionate reporting burden. Furthermore, based on 2019 market share numbers, large suppliers (i.e. those with 150,000 or more gas or electricity customer accounts) cover around 92% of the market and are likely to have diverse customer portfolios. We consider that requiring large suppliers to report further information would give us a sufficient overview to enable us to monitor broad market activity.

### **2.3 Process for managing Beginning of Year Submissions:**

***Minded-to position:*** For large suppliers, upon receipt of their Beginning of Year Reporting, we are minded to review and respond to suppliers with relevant observations; For small suppliers, upon receipt of their Beginning of Year Report, we are minded to review the submission but only respond where we have a query about the calculation of the annual milestones.

#### ***Rationale:***

##### Large suppliers:

We are proposing that large suppliers should submit a more comprehensive report to Ofgem at the start of the year that would contain more information than what would be required of small suppliers. In light of the fact that we are proposing to ask for additional information

from large suppliers, we are minded to review their Beginning of Year submission and respond to suppliers in due course with relevant observations.

#### Small suppliers:

We are proposing that small suppliers should only submit their calculated annual milestones for the upcoming year as well as their number of Qualifying Relevant Premises<sup>13</sup> and total customer base as of 31 December of the preceding year. With over 60 suppliers active in the retail market, we are minded to only respond to small suppliers where, upon review of their submission, we have a query about their annual milestones. We consider that this strikes the right balance of providing certainty to industry whilst at the same time making the process efficient for Ofgem from a resourcing perspective.

***We are inviting views on our minded-to positions set out in section 2.***

### **3. End of Year Performance Reporting**

#### **3.1 Content of End of Year Performance Report – All suppliers**

***Minded-to position:*** *For End of Year Performance Reporting, we are minded to require all suppliers to submit by 31 January in each of the four years from 2022 their annual installation milestones for the preceding year for both gas and electricity as well as the number of installations for Qualifying Relevant Premises for both gas and electricity for the previous year. All suppliers should also provide a narrative setting out their*

#### ***Rationale:***

We are minded to require all suppliers to submit by 31 January their annual milestones for the upcoming year for both gas and electricity as well as the number of installations carried out for Qualifying Relevant Premises<sup>14</sup> for both gas and electricity for the previous year. This information will tell us whether a supplier has failed to meet their annual milestones in breach of their licence.

In addition, we are proposing that all suppliers also submit a short narrative on their performance for the previous year. This narrative would support Ofgem in determining, in line with our enforcement guidelines<sup>15</sup>, whether to consider taking enforcement action against a supplier who is in breach of a licence condition.

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<sup>13</sup> Means premises meeting the requirements set out in draft electricity standard licence condition 39A.3 and draft gas standard licence 33A.3 – [Government Consultation: Annex 1](#)

<sup>14</sup> Means premises meeting the requirements set out in draft electricity standard licence condition 39A.3 and draft gas standard licence 33A.3 – [Government Consultation: Annex 1](#)

<sup>15</sup> [Enforcement Guidelines](#)

### **3.2 Additional End of Year Performance Reporting for Large Suppliers:**

**Minded-to position:** *In addition to the information set out in section 3.1, we are minded to require large suppliers<sup>1</sup> to submit additional information in the following areas as part of their End of Year Performance Reporting:*

- *Number of installations delivered to credit and pre-payment customers for both gas and electricity in the preceding year.*
- *Number of installations delivered to domestic and non-domestic customers for both gas and electricity in the preceding year.*

#### **Rationale:**

##### Milestone delivery to different customer segments:

As outlined in section 2.2, we are proposing that large suppliers should report on the planned split of their annual milestone delivery to credit, pre-payment, domestic and non-domestic customers as part of their Beginning of Year Reporting. We are similarly minded to require large suppliers to report performance against the split in milestone delivery to the different customer groups as part of their End of Year Performance Report. As previously noted, we consider that it is of critical importance that all customers are able to access the benefits of smart meters and we would expect suppliers to demonstrate that they are taking this challenge seriously.

***We are inviting views on our minded-to positions set out in section 3.***

## **4. Publication of Information**

The Energy Data Taskforce has developed an industry vision<sup>16</sup> for how we can all make the best use of data to support the energy transition and unlock system and consumer benefits. We have been exploring how increased data transparency could support delivery of the smart meter rollout and, for example, have recently decided to require publication of the results of the Smart Meter Installation Code of Practice (SMICoP) customer surveys<sup>17</sup>.

With regard to rollout progress and plans, we currently publish high level market-wide observations drawn from the information we receive from suppliers. We have considered carefully whether we should increase the level of transparency under the proposed post-2020 arrangements.

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<sup>16</sup> [Energy Data Taskforce: A Strategy for a Modern Digitalised Energy System](#)

<sup>17</sup> [SMICoP Consultation on Draft Direction](#)



Maximum transparency would see data and information on rollout plans and progress published at the level of the individual supplier. We believe that this approach would make suppliers more accountable for their actions and decisions, driving compliance with the rollout obligations, and therefore driving the right outcomes for consumers.

Intermediate options would see anonymised and/or aggregated data and information published. This could provide some value to stakeholders in understanding the market-wide picture on rollout progress, but would be unlikely to drive accountability and compliance benefits with suppliers.

Finally, we could continue with the approach we take currently, publishing largely qualitative observations on rollout progress.

Our intention is to only move away from the maximum transparency option where we can identify clear risks of making that information public.

#### **4.1 Publication of Information – All Suppliers:**

***Minded-to position:*** We are minded to require all suppliers to publish, on their website:

- *their annual milestones for both gas and electricity for the upcoming year; and*
- *performance against these binding milestones for the preceding year.*

*We are minded to require this information to be published at the same time as suppliers submit their reports to Ofgem in January of each year. Suppliers should also provide a link to Ofgem to where the information is published on the supplier website.*

#### ***Rationale:***

We are minded to require all suppliers to publish their headline annual milestones for the year ahead and their delivery against their milestones for the preceding year (i.e. number of installations to Qualifying Relevant Premises<sup>18</sup> for both gas and electricity). We are proposing that this data should be published on suppliers' websites at the same time as suppliers submit their reports to Ofgem with a link provided to where the data has been published.

We do not see any disadvantages to this information being published and would note that our proposals are limited in scope. In addition to the information outlined above, we are also proposing that all suppliers should submit a narrative around their performance against their milestones. We are not proposing that suppliers should publish this information as suppliers are likely to need to include commercially sensitive information in this aspect of the reporting.

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<sup>18</sup> Means premises meeting the requirements set out in draft electricity standard licence condition 39A.3 and draft gas standard licence 33A.3 – [Government Consultation: Annex 1](#)

Furthermore, we are proposing that suppliers rather than Ofgem should publish this as this will make the information most accessible to their customers.

#### **4.2 Additional Information to be Published – Large suppliers:**

***Minded-to position:*** *In addition to publication of information set out in section 4.1, we are minded to require large suppliers to publish, on their website:*

- *the planned split of their annual milestone delivery to credit, pre-payment, domestic and non-domestic customers; and*
- *their delivery performance against Beginning of Year Report as set out in their End of Year Performance report.*

*We are minded to require this information to be published at the same time as suppliers submit their reports to Ofgem on 31 January and suppliers should also provide a link to Ofgem to where the information is published on the supplier website.*

#### **Rationale**

In addition to publishing their headline numbers on their website, we are also minded to require large suppliers to publish the planned split of their annual milestone delivery to credit, pre-payment, domestic and non-domestic customers as well as their delivery performance against their Beginning of Year plan. We do not see any disadvantages to this information being published and would note that our proposals are limited in scope.

In addition to the information outlined above, we are also proposing that large suppliers, as part of their Beginning of Year Report should submit information on installer capacity, productivity and abort rates as well as key dependencies and risks for the year. We are not proposing that suppliers should publish this additional information as it is likely to include commercially sensitive information.

Furthermore, we are proposing that suppliers rather than Ofgem should publish this information as this will make the information more accessible to their customers.

***We are inviting views on our minded-to positions set out in section 4.***

## **5. Regulatory Framework**

### Licence condition amendments:

The proposals that we have set out in this consultation will be underpinned by a new licence condition in both the gas and electricity supply licences. The new licence condition states

what information energy suppliers must provide to Ofgem by 31 January of each year as well as what information must be published by suppliers on their website. Furthermore, the new condition states that the licensee must comply with any Directions issued by the Authority.

**We are inviting views on our draft licence conditions, as set out in Annex 2 and 3.**

Wider monitoring RFI:

Larger suppliers are currently required to complete an annual wider monitoring RFI which requests information from them regarding the wider smart metering obligations. We anticipate that we will continue to issue the wider monitoring RFI.

**Views invited and next steps**

We are inviting views on the proposals and the draft changes to the relevant electricity and gas supply licences set out in Annex 2 and 3. Please provide your views, preferably by email, to [smartmetering@ofgem.gov.uk](mailto:smartmetering@ofgem.gov.uk) on or before 26 November 2019.

We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as confidential. Please see Annex 4 for more details. We prefer to receive responses in an electronic form so that they can be placed easily on our website. If you would prefer to reply by post, please address this to:

Cecilie Ingversen  
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Canary Wharf  
London  
E14 4PU

If you have any questions, please contact [cecilie.ingversen@ofgem.gov.uk](mailto:cecilie.ingversen@ofgem.gov.uk) in the first instance.

Yours faithfully,

**Jacqui Russell**

**Head of Metering & Market Operations**

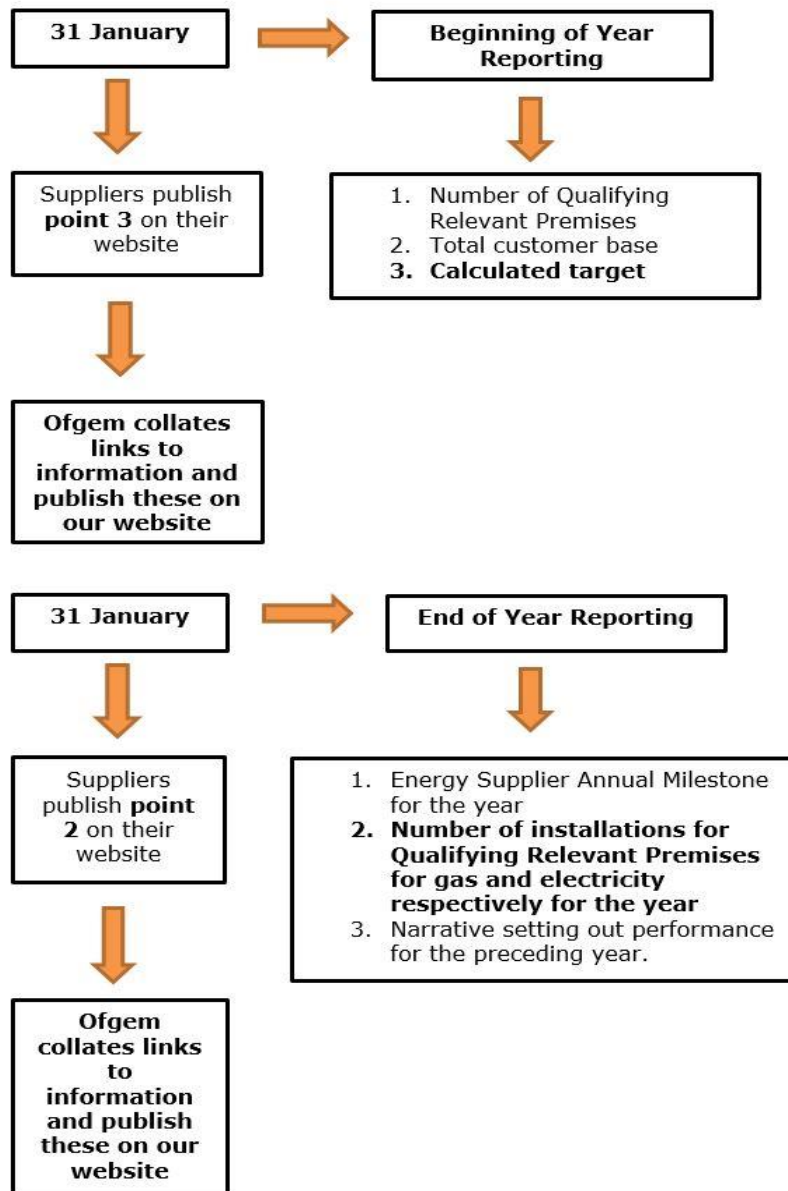
**Duly authorised on behalf of the Gas and Electricity Markets Authority**

**01 October 2019**

## Annex 1: Summary of Proposals

**Figure 1:** Summary of the reporting requirements we are proposing that small suppliers will be subject to under the proposed new post-2020 obligation:

**Figure 1: Small Suppliers Reporting Requirements**



**Figure 2:** Summary of the reporting requirements we are proposing that large suppliers will be subject to under the new post-2020 obligation.

**Figure 2: Large suppliers Reporting Requirements**

