



Making a positive difference
for energy consumers

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Dear Colleague,

Suppliers' advanced meter roll-out performance

In April 2009, the Government introduced a new licence condition requiring suppliers to roll-out advanced gas and electricity meters¹ to their larger non-domestic consumers² by 6 April 2014. Suppliers provided initial reports of their performance in May. This letter will:

- Without prejudice to any enforcement action we may take, highlight our initial observations.
- Set out our expectations of suppliers post-deadline.
- Explain that what constitutes 'all reasonable steps' when installing advanced meters can change over time.
- Look forward to the smart meter roll-out and some of the lessons that suppliers should take account of in their planning

Performance to date

Based on our initial assessment of data from suppliers, **the roll-out of advanced meters is only 75% complete in electricity and 86% complete in gas.**³ It is disappointing that suppliers only managed to install these percentages of their obligation before the deadline. We have taken a number of steps to encourage roll-out compliance:

- We regularly monitored supplier progress from May 2012 onwards.
- In December 2012 we issued a clarification to suppliers to assist them in understanding the functionality a meter must have to be considered advanced.
- In February 2013 we published an open letter providing an update on suppliers' progress. 63% of electricity meters and 46% of gas meters were advanced. We also set out some of the factors we may consider when deciding whether a supplier has met the advanced meter obligation.⁴
- We wrote to most suppliers in September and October 2013 to express concern with their progress and asked them to outline their plans to ensure compliance with the

¹ Advanced meters provide measured gas or electricity consumption for multiple time periods (ie for each half hour in electricity or hour in gas) and provide the supplier with remote access to that data. Advanced meters have a lower minimum level of functionality than smart meters, which are being rolled out to domestic and smaller non-domestic consumers.

² Gas non-domestic premises with an annual consumption of greater than 732 MWh and electricity non-domestic premises where the metering point falls within profile class 5 to 8.

³ These percentages may be adjusted as we continue our assessment. The percentages exclude premises that suppliers have reported as being vacant, unmetered, de-energised or disconnected. We would not expect advanced meters to be installed at these premises in practice.

⁴ <https://www.ofgem.gov.uk/publications-and-updates/roll-out-advanced-meters-larger-non-domestic-consumers>

advanced meter obligation. At follow-up meetings, we encouraged suppliers to meet the obligation.

Suppliers do not necessarily have to make 100% of their meters advanced to comply with the advanced meter obligation, although there was a significant difference between the percentages achieved by different suppliers. The obligation requires that all larger non-domestic premises be supplied by advanced meters unless the supplier was unable to complete installation, despite taking 'all reasonable steps' to do so.

We are examining whether suppliers have taken 'all reasonable steps' and are considering our approach to enforcement action against suppliers who did not complete their advanced meter roll-outs by the end date of 6 April 2014. The decision as to whether a supplier has complied with its licence obligations rests with the Enforcement Decision Panel⁵.

Supplier activities post roll-out deadline

We have made clear to suppliers that the advanced meter obligation is perpetual. Where suppliers are responsible for larger non-domestic premises that are not advanced after 6 April, suppliers must continue to work to make them advanced after that date.

- Where a supplier has not yet installed an advanced meter before the roll-out deadline, they must continue to take all reasonable steps to install an advanced meter.
- Where a supplier inherits a larger non-domestic customer on churn whose meter(s) isn't advanced, they must take all reasonable steps to make them advanced.

Our initial analysis has shown that there was no single issue which impeded all suppliers to a great extent. For example, with meter interoperability (continuing to operate a meter inherited from another supplier as advanced), this has caused significant issues for some suppliers but most have resolved or reduced the problem significantly. There is scope for suppliers to make more meters advanced.

Suppliers have made clear that they are continuing to attempt to make not-advanced meters advanced post the roll-out deadline. We intend to monitor their progress.

All reasonable steps

What constitutes all reasonable steps can change over time and will depend on individual facts and circumstances. Advances in technology and improvements in supplier and industry processes can make more advanced meter installations possible. This means that a supplier that has already attempted an installation and was not successful may need to attempt to install the meter again. Here are some questions a supplier might consider when installing advanced meters. This is not a comprehensive list:

- Have I assigned appropriate resources and oversight to address issues that might otherwise prevent meters from being installed?
- Have I taken action to improve current industry rules, practices or regulations where they make installing advanced meters or operating them when inherited through change of supply difficult?
- Have I examined and implemented alternative commercial arrangements where current industry practice or regulations makes installing advanced meters or operating them when inherited through change of supply difficult?
- Have I continually reviewed, updated and improved my procedures and installed more advanced meters as a result?
- Have I sought out and made use of advances in technology which would allow for more meters to be installed?

⁵ The Authority has delegated this responsibility to the Enforcement Decision Panel, our newly-created body established to take decisions on breaches of licence conditions and relevant requirements. When deciding whether to investigate, we will consider the facts of the matter in accordance with Ofgem's Enforcement Guidelines on Complaints and Investigations (revised guidelines are currently under consultation).

- Have I examined and implemented more effective and less expensive ways of overcoming difficult installation issues?
- Have I monitored whether there have been changes to the circumstances of consumers, and taken action to make more meter installations possible? For example:
 - Sites that are vacant or de-energised may become occupied once again.
 - Consumers may change their mind about accepting an advanced meter or new occupants may want one.
 - Issues with the existing meter installation, for example those that require the intervention of the Network Operator may be resolved.

The smart meter roll-out

While we have yet to make a judgement on whether suppliers took all reasonable steps to comply with the advanced meter obligation, we have some observations that suppliers should bear in mind when preparing for the roll-out of smart meters.

- There are indications that some suppliers may have begun their advanced meter roll-out efforts in earnest too late.
- There are questions about whether some suppliers may not have committed sufficient time and effort and senior management oversight for the roll out of the meters.
- It is not clear that some suppliers' assumptions about the time and resources required to install advanced meters reflected lessons learned as they executed the roll-out.

Soon suppliers will be submitting their smart meter roll-out plans to us. We can hold suppliers to account before the 2020 end date. For large suppliers, there will be binding enforceable milestones in respect of their annual roll-out plans.

When roll-out plans are submitted to us, suppliers must make sure these plans are "*duly justified*". This means they need to explain the strategy behind their plan and justify how it is an appropriate plan to meet both the interim milestones they have proposed and complete the roll-out by the end of 2020. We can reject plans and require them to be resubmitted if we consider that the justification is insufficient.

While the smart and advanced meter roll-outs have some differences, we will be scrutinising carefully suppliers' roll-out plans to see if they have learnt from the advanced meter roll-out. Given these lessons, even if large suppliers are not currently installing smart meters at volume, we expect them to be taking appropriate steps to prepare for the main installation stage of the programme. We welcome the Executive level commitment the large suppliers have made to the Secretary of State that they will be ready for Initial Live Operations⁶.

Some non-exhaustive steps suppliers could take to prepare for the main installation stage of the programme include:

- Securing senior level buy-in and appropriate resources to execute their plans.
- Putting in place timely plans for the procurement of metering equipment.
- Developing a strategy for the installation of meters and the associated commercial arrangements.
- Updating and testing back-office IT systems in a timely manner for the roll-out and operation of smart meters.
- Developing an appropriate consumer engagement strategy to support the roll-out.

Following a consultation earlier this year, we will set out more information about our approach to monitoring and encouraging compliance with the annual roll-out plans later this year.

⁶ The expectation that the DCC will have built and tested its systems for SMETS2 equipment and be operationally ready; all of the large suppliers will be ready to use the DCC's Services, start installing SMETS2 meters and offer basic services to both credit and pre-payment customers; the DNOs will be ready to support Smart Meter installation; and the Electricity DNOs ready to use the DCC Service to improve network management.

Yours faithfully,

Rachel Fletcher
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