



Promoting choice and value

**for all gas and electricity customers**

# Supporting effective switching for domestic customers with smart meters: Modification of supply licence standard conditions.

## Decision

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### Overview:

This document sets out our decision relating to the regulation of the early, voluntary deployment of domestic meters with smart capability by some energy suppliers.

The new licence obligations we are putting in place aim to help domestic customers understand if the advanced meter services they are receiving will be maintained when they switch supplier and therefore to facilitate more informed switching for customers with these meters. The new conditions will also help the new supplier seeking to continue to support those services.

With this document and in accordance with the requirements laid down in the Gas Act 1986 and the Electricity Act 1989 we are also publishing formal notification of the modifications. Such changes will come into effect on 1 November 2012, 65 days from the date of this decision

## Context

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The government has established a programme for rolling out smart meters (“The Smart Metering Programme”). In July 2010 it published a consultation (“The Prospectus”<sup>1</sup>) that set out how it intends to manage this roll out.

The government’s March 2011 Response to the Prospectus<sup>2</sup> confirmed the government’s aim that by the end of the decade, all consumers should have smart meters. This will be achieved principally using powers under Section 88 of the Energy Act 2008, which enable the Secretary of State to modify conditions of licences for the purpose of rolling out smart meters.

The government is supporting a Foundation Stage to enable suppliers to prepare for mass roll out. Many suppliers are using, or are planning to use, this opportunity to install advanced domestic meters to inform the subsequent roll out of smart meters. These suppliers are commonly referred to as “early movers”.

Our Corporate Strategy recognised the potential wider impact of smart metering. We have committed to introducing new consumer protection measures in response to early smart meter deployments. This decision document is part of our wider work that we are undertaking to protect customers receiving smart meters prior to the start of the mandated rollout of smart meters.

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<sup>1</sup> *Smart Metering Implementation Programme: Prospectus, July 2010*

<sup>2</sup> *Smart Metering Implementation Programme: Response to Prospectus Consultation, March 2011*

## Associated documents

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All documents are available on the Ofgem website at [www.ofgem.gov.uk](http://www.ofgem.gov.uk):

Supporting effective switching for domestic customers with smart meters: additional statutory notice (79/12)

Supporting effective switching for domestic customers with smart meters: further statutory consultation and notice (41/12)

Supporting effective switching for domestic customers with smart meters (187/11)

Commercial Interoperability: proposals in respect of managing domestic customer switching where meters with advanced functionality are installed (109/11)

Smart Metering Spring Package - Addressing Consumer Protection Issues (13/11)

Smart Metering Consumer Protections Package - Statutory Consultation (88/11)

Review of Metering Arrangements - Initial Findings and consultation on proposed metering industry remedies (162/10)

Review of Metering Arrangements: Decision and consultation on transition to smart meters

Promoting smarter energy markets (174/11)

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## Executive Summary

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This document sets out our decision to introduce new licence obligations for gas and electricity suppliers designed to protect domestic customers who have Advanced Domestic Meters (ADMs)<sup>3</sup>. The licence obligations aim to help domestic customers understand if the advanced meter services they are receiving will be maintained when they switch supplier and therefore to facilitate the switching process for customers with these meters. The new conditions will also help the new supplier seeking to continue to support those services.

These licence conditions complement the work of the Department of Energy and Climate Change (DECC)'s Smart Meter Implementation Programme ('The Smart Metering Programme'), the work of Ofgem in developing the regulatory framework for traditional metering in the context of the transition to smart metering, and the wider work undertaken by Ofgem to protect customers receiving ADMs<sup>4</sup>.

### Background

The Smart Metering Programme is aiming to introduce a range of measures to support the roll out of around 53 million gas and electricity smart meters by gas and electricity suppliers by end 2019. These measures will include requirements relating to the technical specification of smart meters and arrangements to ensure that these meters are capable of being operated in smart mode on change of supplier.

Some domestic suppliers are deploying limited numbers of ADMs, some of which meet the Government's definition for smart metering equipment, now. In the main, this deployment (known as the Foundation Stage) is to support the testing and trialling of their systems and processes in preparation for the mass roll out of smart meters planned to start in 2014. In our December consultation we estimated that as many as 5 million ADMs could be installed before suppliers switch to installing smart meters under the enduring arrangements being developed by the Smart Metering Programme.

For consumers, this means that where an ADM is installed, they can start to receive many of the benefits of smart meters now, such as increased information on consumption, energy charges and in some cases access to prepayment services. Suppliers deploying ADMs can obtain remote meter readings to support accurate billing and the opportunity to develop additional services. Recent evidence has shown that customers are broadly positive about their overall experience of using the ADMs

However, ahead of the implementation of the enduring regulatory framework being developed by the Smart Metering Programme there are no common standards for operating ADMs and where an ADM is installed and operated by one supplier, there is

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<sup>3</sup> We are using the term Advanced Domestic Meter to avoid confusion with the specification that the Smart Metering Programme will designate as being a smart meter.

<sup>4</sup> *Smart Metering Spring Package - Addressing Consumer Protection Issues, 2011.*



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no guarantee that another new supplier can operate the meter. There is a concern that this may result in customers with ADMs experiencing difficulties with the change of supplier process.

Ofgem is aware of a small number of complaints from customers with ADMs who have experienced such difficulties. We expect suppliers to act responsibly to help ensure that customer's experience of smart metering is a positive one and the supplier acts in accordance with their licence conditions.

### **Ofgem's decision**

In our June 2012 final proposals document, we set out a number of proposed additional licence obligations on gas and electricity suppliers that aimed to:

- improve information provided to customers regarding the potential loss of advanced functionality when switching suppliers.
- afford specific protection to customers with ADM's operating in prepayment mode; and
- facilitate the retention of advanced capability of the meter and the accuracy of the information contained in the meter on change of supplier.

We have now carried out further analysis of our proposals in the light of the responses to the consultation and have decided to introduce the licence conditions consulted on in June 2012.

These new licence conditions will not guarantee that advanced meter services will be maintained by a new supplier, but they do remove some of the barriers that could prevent the new supplier from operating the meter if they wish to do so and will keep customers better informed about the choices available to them.

With this document and in accordance with the requirements laid down in section 23(7) of the Gas Act 1986 and section 11A(7) of the Electricity Act 1989 we are also publishing formal notification of the modifications. Such changes will come into effect on 1 November 2012, 65 days from the date of this decision.

# 1. Background and summary of decision

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This Chapter sets out the context for the licence changes including the interactions with the rollout of smart meters being implemented by DECC.

1.1. This document sets out our decision to introduce new licence requirements on gas and electricity suppliers to facilitate the change of supplier process for customers with meters with smart functionality (Advanced Domestic Meters (ADMs)). This decision has been informed by our previous consultation process which includes our final proposals and associated statutory licence modification consultation published in June 2012<sup>5</sup> and earlier consultations published in February<sup>6</sup> and August 2011<sup>7</sup> and in December 2011<sup>8</sup> and March 2012<sup>9</sup>.

1.2. We refer to meters that are currently being installed in domestic premises with advanced functionality as Advanced Domestic Meters (ADMs). An ADM is a meter installed in a domestic premise that:

- Provides measured gas or electricity consumption data for multiple time periods; and
- Is able to provide the relevant supplier with remote access to such data.

## Background

### DECC's Smart Metering Implementation Programme

1.3. DECC's Smart Metering Implementation Programme ('the Smart Metering Programme') is aiming to introduce a range of measures to support the roll-out of 53 million smart meters by gas and electricity suppliers to domestic and smaller non-domestic customers.

1.4. To prepare for this rollout the Smart Metering Programme is introducing a package of measures that will constitute a new regulatory and commercial framework for smart metering. The key elements of the framework are a

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<sup>5</sup> Supporting effective switching for domestic customers with smart meters: additional statutory notice (79/12)

<sup>6</sup> Smart Metering Spring Package - Addressing Consumer Protection Issues (13/11)

<sup>7</sup> Commercial Interoperability: proposals in respect of managing domestic customer switching where meters with advanced functionality are installed (109/11)

<sup>8</sup> Supporting effective switching for domestic customers with smart meters (187/11)

<sup>9</sup> Supporting effective switching for domestic customers with smart meters: further statutory consultation and notice (41/12)

supplier led roll out of meters, common technical standards for meters and a central body to manage smart meter communications and data. One of the objectives of this framework will be to ensure that the smart functionality of meters can be retained and utilised by new suppliers if a customer with a smart meter chooses to change supplier.

## Foundation

1.5. The Smart Metering Programme is currently supporting a Foundation Stage during which a number of suppliers are installing ADMs. Suppliers are choosing to deploy ADMs for a variety of reasons. For some it is to undertake testing and trialling of the systems and procedures they would be developing in preparation for the mass the roll out of smart meters in anticipation of the requirements of the Smart Metering Programme. However, some suppliers are looking to roll out greater numbers of ADMs (and when available, SMETS compliant meters) to provide new services to consumers. In some cases there are small suppliers who define their proposition to customers on the basis of innovative metering.

1.6. ADMs can bring many of the benefits of smart metering to customers in advance of the mass roll out. Many of the ADMs currently being installed will have stand alone display devices providing information which allows customers to have a better understanding of their energy consumption and cost. Suppliers are upgrading their billing systems to be able to make use of remote meter readings so as to be able to avoid issuing estimated bills. We are also seeing developments that would allow ADMs to be used as prepayment meters, allowing customers to top up their credit by phone or over the internet and so avoiding having to make a trip to a prepayment outlet.

1.7. There are a range of ADMs available to the market from different manufacturers offering different functionality and working to different standards. They do not operate using any common standards for communications or the operating system for sending and receiving data. Therefore, where a customer with an ADM installed at their premises changes supplier, there is a risk that their new supplier would not be able to operate the meter or even be aware that such a meter is installed.

## Ensuring the switching process works for customers

1.8. Ofgem is aware that ahead of the implementation of the new regulatory and commercial framework for smart metering, customers with ADMs could face complications on change of supplier. There is as yet no obligation on suppliers to utilise the advanced functionality of ADMs on change of supplier. As we discussed in the December document, there have been indications that small numbers of customers with ADMs have experienced difficulties on change of supplier. These include:

- confusion as to whether a meter would need to be replaced,

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- Lack of clarity as to whether meter functionality will be supported by the new supplier; and
- loss of advanced meter services.

1.9. We note that energy suppliers have obligations in their supply licence related to the processes they operate to switch customers. These cover a range of issues including marketing, contracts and the provision of information. These obligations are designed to help customers make well informed decisions when choosing a new supplier. In light of these new developments in the market, we are taking steps to ensure that the regulatory framework is fit for purpose.

### **Summary of decision**

1.10. The new licence obligations we are proposing apply in respect of domestic customers only. In summary, the new obligations are:

1. Where a customer is switching supplier, the customer must be informed, before they sign or otherwise commit to entering into a supply contract, by the new supplier of any meter functionality and associated services they may lose if they switch supplier.
2. Where a supplier is installing an ADM, it must inform the customer that they may lose meter functionality on change of supplier.
3. Before a customer switches supplier, the existing supplier must delete and cease to flow any misleading information on the meter and (where installed) the home electronic display relating to that supplier's charges.
4. Where a customer is switching supplier, that customer should not be charged if a meter exchange is required to maintain prepayment functionality.
5. Where a customer is switching supplier, the installing supplier must, where requested to do so, provide information to the new supplier to enable the new supplier to determine whether the customer has an ADM installed and the functionality of that meter.
6. Where a customer is switching supplier, the installing supplier must provide information to the new supplier to enable the new supplier to maintain the functionality of the meter after the customer has switched.
7. Where the installing supplier is a large supplier who has installed the required number of ADMs, it must on the request of a new supplier offer to provide services that are reasonably required by the new supplier to maintain ADM functionality.

1.11. We recognise that this is a rapidly changing area. The work of the Smart Metering Programme to develop an enduring solution for interoperability and the developments that may be introduced in the Foundation stage would significantly change the context in which these obligations are being introduced. Equally, if the number of ADMs being deployed exceeds our upper estimations, or supplier performance in communicating with customers does not meet our expectations, we would need to consider whether further intervention is necessary to protect customers. We will therefore keep this area under review.

## Structure of this document

1.12. This document is structured as follows:

- **Chapter 2** sets out the key components of the additional licence obligations and an explanation of how the obligations fit with our objective to promote effective switching for customers with ADMs.
- **Chapter 3** considers the responses to the consultations in detail.
- **Chapter 4** relates the introduction of the new obligations to the work that the Smart Metering Programme aims to be doing in the Foundation stage.

1.13. Appendix 1 sets out the new licence conditions and the notice making the new obligations

## Next steps

With this document and in accordance with the requirements laid down in the Gas Act 1986 and the Electricity Act 1989 we are also publishing formal notification of the modifications. Such changes will come into effect on 1 November 2012, 65 days from the date of this decision.

## 2. Aim of the new obligations and amendments to the text of the licence conditions

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This chapter sets out the main components of the licence obligations we are introducing and how these fit with our objective to promote effective switching for customers with ADMs. It also gives an indication of the steps that we expect suppliers to take in respect of the conditions, where appropriate, both from the outset and over time.

The objective of our work in this area and our decision to introduce additional licence obligations on gas and electricity suppliers is to protect customers with ADMs by promoting a more effective switching experience for customers with ADMs.

2.1. Since publication of our final proposals consultation in June 2012 we have analysed our proposals further and concluded that there are actions that energy suppliers should take to improve the switching process for customers with ADMs. We therefore consider it to be appropriate to introduce licence obligations on suppliers to take such actions.

2.2. We recognise that the actions suppliers can take in relation to a number of these obligations and the effectiveness of the actions in improving the switching experience of consumers will change over time as the information available to suppliers through the industry's central systems evolves. We also recognise that suppliers can take action to influence whether appropriate and timely changes are made to central systems.

2.3. In the following section of this chapter we set out the new licence obligations that we are introducing and explain why we believe that action from suppliers under these obligations will lead to a more effective switching experience for consumers. Where appropriate, we also give an indication of the type of actions that we expect suppliers to undertake to meet the obligations both in the first instance and over time.

### The proposed licence obligations

#### **Obligation for the installing supplier to provide information to the customer**

2.4. Our licence changes will result in an obligation on suppliers installing an ADM to inform the customer that they may lose functionality on change of supplier.

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2.5. Ofgem considers that this obligation is necessary to ensure customers with ADMs are appropriately informed about the potential implications of changing supplier. If customers are aware from the outset of the possible loss of functionality on switch of supplier it may result in them making more informed decisions about switching and reduce the likelihood of disappointment if functionality is reduced following a change in supplier.

2.6. We expect suppliers to discharge this obligation as part of their initial engagement with the customer, when installing an ADM.

### **Obligations for a the new supplier to inform the customer whether services are to be maintained**

2.7. As a result of our licence changes, new suppliers will be obliged to take all reasonable steps to inform a customer of any meter functionality and associated services that they may lose if they switch supplier.

2.8. We consider this to be an important protection for customers. Customers should have the information available to them to help make an informed decision about changing to a new supplier. These new obligations will help customers to know whether a new supplier will maintain the services that they value.

2.9. In order to discharge this obligation, new suppliers would need to take action to determine whether a customer has an ADM before entering into a supply contract with that customer. Some suppliers have argued that the implementation of these obligations should be delayed to allow more time for them to prepare their systems and processes to be able to comply with this obligation. Our view is that suppliers should be taking action now to deal with the fact that some of the customers they will be selling to will have ADM meters and will be enjoying advanced services.

2.10. We recognise that new suppliers would initially be reliant on their marketing processes to determine whether an ADM is installed. This may, for example, include the new supplier asking a prospective customer whether it has an ADM installed, and/or using prompts to determine if an ADM is installed (e.g. does the customer have a display device in the home that has consumption and charging information or advanced prepayment services).

2.11. We recognise that this may not always result in ADMs being detected and would expect suppliers also to introduce other methods to inform customers of a potential reduction in functionality. For example, it may be appropriate for new supplier as part of its pre-contract dialogue with the customer, to set out its general approach to ADM meters and the circumstances in which it will seek to maintain advanced services.

2.12. We note that the provision of this information could in time be facilitated through changes to industry processes to enable central recording of information

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relating to the customer's meter type (for example a central system flag for ADMs). We therefore expect suppliers to take necessary action to ensure that appropriate changes are progressed in a timely fashion.

### **Obligations for the installing supplier to provide information to the new supplier**

2.13. We are requiring the supplier who installed an ADM to, on request, provide the following information or services to a new supplier:

- Information to enable the new supplier to understand the available functionality of that meter.
- Information to enable the new supplier to maintain the functionality of the meter after the customer has switched.

These licence obligations collectively are intended to both:

- To improve the information available to the customer, from the new supplier, regarding the potential loss of functionality that the customer may experience on change of supplier; and
- To facilitate the retention of advanced capability following a change of supplier if the new supplier wishes to do so.

2.14. This obligation will not require the installing supplier to provide information related to products or services they have offered to the customer, that use data taken from the ADM as part of an added value service; for example the offering of an energy audit.

2.15. In order to request information from the installing supplier, the new supplier will need to identify who the installing supplier would be. At the time of the first change of supplier following the installation of an ADM, the installing supplier would be the existing supplier and hence known to the new supplier. However, after further changes of supplier, it would be more difficult for the new supplier to determine who the installing supplier was.

2.16. Ideally, the central industry systems would record that information (and it may prove desirable for the enduring solution to have that data available). We would expect suppliers to progress the necessary changes to central systems to facilitate this to the extent that it is efficient and economic to do so. We note that the Smart Metering Programme are working with industry to develop such solutions. In advance of that facility becoming available, we note that compliance with the obligation does not require that the new supplier should be able to identify the installing supplier; only that the installing supplier should provide information or services when requested to do so by the new supplier.

### **Obligations for the installing supplier to provide services to the new supplier**

2.17. We are proposing that, from January 2013, where a large domestic supplier is installing significant numbers of ADMs or Prepayment ADMs, they should be obliged to offer the services that are reasonably required by the new supplier related to the functionality of the ADM. We expect that the larger suppliers are likely to contract with third party service providers<sup>10</sup> who offer a managed service to communicate with ADMs. As these services evolve, it may become easier for a new supplier to directly approach these service providers rather than the installing supplier. These developments will coincide with the developments in the Smart Metering Programme for the Foundation stage. These are discussed further in Chapter 4.

2.18. The responses to the consultation indicated that suppliers would need more time to put in place the necessary arrangements to support the provision of a service to other suppliers. Typically this will involve the establishment of a third party service provider. We have therefore determined that the obligation to provide a service should come into effect after 31 December 2012.

### **Obligation on existing suppliers on change of supplier**

2.19. The new conditions contain additional obligations on the existing supplier prior to a change of supplier to delete and cease to flow any misleading information on the meter and (where installed) the home electronic display relating to the supplier's charges.

2.20. Ofgem considers that this obligation protects customers in ensuring that they are not exposed to misleading and potentially confusing billing information relating to their previous supply contract on change of supplier.

### **Obligation on suppliers on change to a Pre-payment meter**

2.21. The licence obligations will prevent a supplier from being able to charge a customer with an ADM where a meter exchange is required on change of supplier to maintain prepayment functionality.

2.22. There is a risk that, where an ADM is used as a prepayment meter and the customer wishes to change supplier and maintain the prepayment function, the new supplier would have to replace the meter. This is because it is more difficult the new supplier to operate prepayment ADMs than credit ADMs. In these circumstances, we do not consider it appropriate for the customer to be charged for the replacement of the meter. This is unlikely to be an issue in the enduring solution as suppliers will have a common interface with the meters to support prepayment functionality. However, in the Foundation stage, we want

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<sup>10</sup> Commonly referred to as Smart Meter System Operators (SMSOs)

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domestic customers to be confident that they will not face charges for replacement of a prepayment meter.

## **Changes to the licence conditions consulted on in December 2011**

2.23. Since publication of the December 2011, we have identified the need for four amendments. These are discussed below.

### **Definition of ADM**

2.24. A number of respondents commented that the definition of ADM may capture prepayment meters without advanced capability. For the majority of prepayment meters currently in service, a device (typically a card or electronic key) that is inserted into the meter is taken by the consumer to a retail outlet or Post Office to purchase more credit. When the device is read by the terminal, meter read data is sent back to the supplier. The question arose as to whether this met the definition of an ADM.

2.25. It is not our intention that the definition of ADM should capture traditional prepayment meters. We defined an ADM (in the case of electricity) as:

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 a Electronic Consumption Data Display.

2.26. We do not consider that a traditional prepayment meter would meet this definition. If the argument is made that it provides remote access to consumption data, in our view, it cannot do so for daily periods (unless the customer happened to top up on a daily basis). We have therefore concluded that the definition in its current form is satisfactory.

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### **Threshold for the provision of services**

2.27. The wording of the operation of the threshold for the application of the obligation for the installing supplier to provide services to a new supplier did not reflect the policy intention set out in the December consultation.

2.28. 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 customers or more and have installed or arranged to have installed 25,000 (or more) ADMs or 5,000 (or more) prepayment ADMs.

2.29. The previous wording for this obligation was:

*25B.11 The Installation Licensee is not required to comply with paragraph 9 where it supplies gas to fewer than 250,000 Domestic Customers and has installed or arranged to have installed fewer than:*

*(a) 25,000 Advanced Domestic Meters; or*

*(b) 5,000 Prepayment Advanced Domestic Meter.*

2.30. The revised wording is:

*25B.11 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.*

### **Setting an implementation date for the obligation to provide services**

2.31. Following discussion with industry we are introducing a separate implementation date by which large suppliers will be required to offer, on request, services to new suppliers for the maintenance of advanced metering services.

2.32. We are encouraged by the work that has taken place to enter into contracts with service providers and devise the arrangements for offering services to other suppliers. However, we recognise that putting the necessary contracts in place will take some time. We are therefore setting the implementation date for this obligation to be the 31 December 2012.

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### **Change to our proposals to retain historic consumption information on change of supplier**

2.33. We originally proposed that a new obligation should be introduced (as set out in the December 2011 consultation; see condition 25B.1 of that consultation) that required the licensee to take all reasonable steps to ensure that where their customer was switching away from them to a new supplier that they do not delete historic consumption information held on the Electronic Consumption Data Display and the Advanced Domestic Meter. Respondents to the consultation noted the potential conflict with the Data Protection Act. In our June 2012 consultation we acknowledged the issue and proposed the removal of this obligation. We considered that a prohibition on deleting data on change-of-supplier in all cases would be too inflexible. We have consequently removed this obligation from the final licence conditions.

2.34. However, if the current supplier can establish that its obligations under the DPA can be met without deleting the data, then there is likely to be value for consumer in data being retained. Information confirming that the new supplier will continue to operate the smart functionality of the meter might be relevant in this regard. For these same reasons and subject to the practicalities of doing so we would urge suppliers to offer to provide consumers with a copy of their data prior to any deletion of it. We are not proposing to introduce additional regulation to promote such outcomes, but we will keep the issue under review.

2.35. A number of suppliers responding to the consultation recognised that the arrangements for the management of consumption data for ADMs would benefit from further analysis of data protection regulations with support from the Information Commissioners Office. We will liaise with suppliers and consider whether any further changes may be needed to licence conditions as a result of that work.

## 3. Responses to the consultations

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### Chapter Summary

In this chapter we consider the key policy issues raised by respondents and our view of those issues.

### Overview of responses

3.1. We received 11 responses to the December 2011 consultation, 12 to the March 2012 consultation and 9 to the June 2012 consultation. Those not marked confidential may be found on the Ofgem website<sup>11</sup>. We received responses from the six large suppliers, two small suppliers, a meter asset provider, Electralink, Energy Services and Technology Association (ESTA), Hewlett Packard, National Energy Action (NEA), Energy Action Scotland, Consumer Focus and the Energy Retail Association. All of the responses were carefully considered as part of the decision making process.

3.2. Respondents recognised that there were issues with the current arrangements and broadly supported our proposals. One respondent described the proposals as sensible and pragmatic. There were differing views as to the complexity of the solutions and the time needed to implement them that respondents considered would be needed to support compliance with the new obligations. These are discussed in more detail below. Some suppliers noted the risks involved in deploying significant numbers of ADMs and SMETS compliant meters in advance of the enduring solution becoming operational.

3.3. A number of respondents asked for greater clarity as to the actions that a supplier would need to take to be compliant with the obligations. There were also suggestions as to how the text of the licence conditions could be improved.

3.4. A number of suppliers indicated their concern as to the lead time available for implementing changes to their systems and processes to meet the obligations; in particular the requirements for informing a new customer of any loss of advanced services through their sales channels. We discuss these issues below.

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<sup>11</sup>Supporting effective switching for domestic customers with smart meters (187/11)

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## **Key issues raised in response to the December decision and proposed licence conditions**

### **Concerns over the number of ADMs that may be installed**

3.5. In our December document we considered the number of ADMs that may be deployed ahead of the enduring solution for smart meters being implemented. We estimated that as many as 5 million ADM meters could be rolled out in advance of SMETS compliant meters being deployed.

3.6. A number of respondents raised concerns over the number of ADMs that could be deployed and the damaging effect that large numbers could have for competition and for customer service. NEA questioned whether the early deployment of ADMs would bring benefits to consumers. EdF said that they had significant concerns that the large-scale deployment of non-interoperable meters would have detrimental impacts on consumers that would not be addressed by our proposals. They were also concerned that our proposals would further encourage installation of ADMs.

3.7. We agree that there is uncertainty as to the number of ADMs that may be installed and the degree of interoperability that may be achieved by the market in advance of the enduring solution for smart metering being implemented. We will keep the market under review to determine whether additional regulation is needed, proportionate to any potential issues that may be caused by the deployment of ADMs.

3.8. We consider that our proposals to be neutral as to whether they will or will not encourage the installation of ADMs being installed. In general, our proposals place obligations on installing suppliers to provide information to the customer about the possible consequences of having an ADM and to provide information and, in the case of larger suppliers, services to the new supplier. The drivers for suppliers to install ADMs or SMETS compliant meters are more likely to be the need to trial and test the supporting arrangements for smart meters or to offer customers new services.

### **Volume threshold for service obligation**

3.9. The large suppliers and Consumer Focus disagreed with our proposal that smaller suppliers (we suggested that this should be defined as those suppliers with fewer than 250,000 domestic customers) should not have to provide services to a new supplier to support the maintenance of advanced meter services. They argued that this risked a market distortion. Some linked this to a proposal made by the Smart Metering Programme for an exemption to the 2019

roll out target for small suppliers relating to ADM meters<sup>12</sup>. One supplier stated that *"All suppliers rolling out ADMs will either be using a managed service provider or will have developed their own infrastructure to support these meters. By rolling out ADMs, they have already invested in the systems and processes or contractual relationships which can be utilised to deliver this obligation."* They also noted that there were a limited number of types of ADMs available to the market and that this would make it easier to develop processes to support the meter functionality.

3.10. Npower argued that the exemption would drive poor customer experience and add cost to other parties. SSE said *"...if a smaller supplier has installed an 'Advanced Meter' at their customer's property, should that customer decide to switch to one of the larger suppliers, the smaller supplier will not be obliged to offer terms for the use of that meter. This could result in the larger supplier not being able to retain the 'smart' functionality of that 'Advanced Meter' and the customer deciding to stay with the smaller supplier as a result."*

3.11. Consumer Focus did not support the threshold. They considered that, *"on balance, the increased potential detriment to consumers and the reputational risk to the Smart Metering Programme are such that small suppliers should not be exempt."* They also noted that a number of consumers had registered complaints in respect of the service they had received from one small supplier that was using ADMs and that there were issues around standing charges and termination fees.

3.12. We considered in the December document the merits for an exception for smaller suppliers in respect of the obligation to provide services to support ADMs. We noted then that placing a requirement on small suppliers to provide services is proportionately a higher burden on a small supplier than it would be for a large supplier. We do not yet have the evidence that would support placing that burden on all small suppliers. Given that small suppliers currently only have less than 1% of the domestic supplier market, the impact that small suppliers can have through the introduction of ADMs is limited.

3.13. Equally, if the suppliers quoted above were correct in their observation that small suppliers would naturally develop their use of 3<sup>rd</sup> party service providers or their own systems, then it may follow that the market would provide a solution for utilising the mandated service provisions of larger suppliers with those of smaller suppliers. There will be commercial incentives for small suppliers and their meter asset providers to support the new supplier in maintaining advanced services to secure higher meter rental charges from the new supplier.

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<sup>12</sup>Open letter – possible exemption for all suppliers from the smart meters roll out obligation (19 January 2012)

[http://www.decc.gov.uk/en/content/cms/tackling/smart\\_meters/smart\\_meters.aspx](http://www.decc.gov.uk/en/content/cms/tackling/smart_meters/smart_meters.aspx)

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3.14. However, the backstop of the ADM being used as a traditional meter would remain, so we cannot accept SSE's suggestion that customers would be locked in to a small supplier purely because there is no obligation on the small suppliers to provide an ADM service.

3.15. At this stage, we could not be confident that extending the service obligation to small suppliers would not impose disproportionate costs on small suppliers. Therefore, the threshold remains unchanged.

### **New supplier informing the customer of changes to advanced services**

3.16. We consider that when the new supplier enters into a domestic contract with a customer, they should take all reasonable steps to inform a customer of any meter functionality and associated services that they may lose if they switch supplier

3.17. Respondents generally supported the aim of the proposed obligations, but there were concerns raised as to how the obligation should be met, in particular, without information being held on the central systems as to whether an ADM is installed and what services it is delivering.

3.18. Npower said that the obligation could not be met without the appropriate industry changes. First Utility noted that there are many variations of ADMs installed providing a range of services. A number of respondents said that customers might not know that they have an ADM or explain to a new supplier at the contracting stage if they were receiving advanced services.

3.19. ScottishPower said that they are concerned that they would not be able to confidently predict the ADM services that were being provided to the customer. They suggested amending the obligation so that where a customer has indicated they have an ADM, the supplier informs the customer that some or all of the services may not be available if the customer proceeds with the contract.

3.20. Consumer Focus supported the proposed obligation but said that guidance would be needed as to what would constitute having taken 'all reasonable steps'. They also said that the customer should be told if there were to be any variations of services (not necessarily only those that may disadvantage to customer) and gave the example of enhanced IHD, mobile applications or other smart appliances that may be reliant on the system.

3.21. A number of large suppliers asked for the implementation of the obligation to be delayed citing the complexity involved in amending their systems and processes to achieve compliance.

3.22. We do not consider that the introduction of these consumer protections should be delayed.

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We recognise that, in advance of industry data being available to provide the information to the new supplier as to whether an ADM is installed, they will be reliant on their marketing processes to identify if a customer is receiving advanced services. In the absence of industry arrangements that would allow tailored advice specific to the customer to be given, the new supplier may opt to give general advice to customers as to whether services will be maintained. We discuss these issues further in 2.7 – 2.12 above.

### Record keeping

3.23. We consider that suppliers should maintain evidence of the approach they are taking to maintain a record of its interaction with a new customer when establishing whether ADMs services are going to be maintained or not.

3.24. A number of respondents commented on the obligation. Consumer Focus considered this a sensible measure.

3.25. Npower said that this would require a change to their sales process. Energy UK said that these obligations were unnecessary under the principles of Better Regulation. They added that the risk of breach was disproportionate to the proposed measures.

3.26. One large supplier recommended removing the obligation, saying that it was for supplier to determine how they demonstrate compliance, noting that this was a different approach to that taken with other conditions in the supply licence

3.27. ScottishPower asked for clarification on how long the records should be kept for.

We do not consider that suppliers would necessarily need to maintain a record of each interaction with each customer in all circumstances. We would expect that the procedures that suppliers employ for managing the sales process would include arrangements to check with customers (and where appropriate industry data records) to determine if advanced meter services are in effect and for informing customers if they will be maintained. Suppliers may elect to comply with 25B.4 by maintaining records of the procedure used in advising individual cases or classes of customers, based on the type and functionality of the meter installed at their premises. We would expect that records would be kept to demonstrate that those procedures are in operation and are effective. Licensees will need to consider for how long and in what form they retain records of their compliance with 25B.3. As with other obligations in the supply licence, suppliers may need to be able to show compliance with licence conditions and this can include the maintenance of documentary evidence. We do not consider it necessary to specify the form of the records or the duration for which that are kept, but the records should encompass the activity of agents acting on behalf of the licensee.

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### **Identifying the Installing Supplier**

3.28. We have proposed obligations for the supplier who has installed an ADM to provide information to a new supplier. A number of respondents noted that without changes to industry processes, the new supplier may be unable to determine who the installing supplier was, and therefore, who to request the information or service provision from.

3.29. We agree that it would be desirable for a change to be made to industry systems that would record the installing supplier. We note that the Smart Metering Programme will be leading work under the Foundation work stream that will consider how this might be achieved.

3.30. However, we do not consider that these facilities would be needed in advance of the obligation being introduced. There is no obligation for the new supplier to contact the installing supplier, and the installing supplier is only required to provide information or services when requested to do so. In practice, we anticipate that, in the short term, the majority of ADMs would be installed by a small number of suppliers, most of whom would be using a third party service provider and in some case the same service provider. We have set out our views on this in more detail in Chapter 2.

### **Changes to industry processes**

3.31. We do not consider that the implementation of the licence conditions should be delayed until such times as the central industry systems are modified. While outcomes are likely to be better for customers if supported by appropriate changes to central market systems, in the absence of these changes, it is still a better outcome to have suppliers take reasonable steps to comply with the obligation, than have no obligations at all.

3.32. Although there was broad recognition from respondents that our proposals are a step towards establishing interoperability for ADMs, there were concerns as to how quickly changes to central industry systems could be made that would help suppliers to meet the obligations. Changes might include a flag associated with the registration data to indicate that an ADM was installed and who the installing supplier was.

3.33. Npower considered that industry processes must be built to support interoperability of ADMs and to allow the new supplier to identify whether an ADM is installed. Obligations should not be introduced until the necessary changes have been implemented. They also urged that the Smart Metering Programme should establish a working group to agree the processes and changes that would be needed.

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3.34. EdF also suggested that the obligations could not be introduced without an assessment of the changes needed and them being implemented. They considered that this would take between a year and 18 months to achieve.

3.35. Energy UK, in their response, noted that introducing the obligation on the back of the existing industry processes would be sub-optimal as there is no centrally available information as to whether an ADM is installed or which supplier had installed the meter. They suggested that the development of the necessary changes could be progressed under the Smart Metering Programme.

3.36. We do not consider that changes to industry processes are required in advance of the obligations being introduced. We recognise that additional data items held in the central industry systems would support efficient and effective procedures that would allow suppliers to better meet the obligations, but we do not consider that we should delay introducing customer protection measures until those new arrangements have been introduced.

3.37. We understand that as part of the Foundation work stream, the Smart Metering Programme will be leading work to identify and implement modifications to industry processes to support the roll out of smart meters. We anticipate that these developments will help support suppliers in meeting these new obligations. This is discussed further in Chapter 4.

3.38. We recognise that licensees are concerned as to how they can properly comply with the licence obligations in advance of changes being made to industry systems and processes. Energy UK considered that the 'all reasonable steps' requirement of the obligation would have to be interpreted in the context of the capability of industry arrangements in operation at the time. We agree with this interpretation but also note that we would expect suppliers to take action to facilitate appropriate changes to industry processes over time.

### **Installing supplier providing information to the new supplier**

3.39. In our December document we included a table of the information that respondents to the August document considered would be helpful for an installing supplier to provide to the new supplier. We did not receive any comment on that list, but some respondents commented on the obligation.

3.40. Consumer Focus sought assurances that the provision for suppliers not to have to provide information, where if doing so would seriously and prejudicially affect its commercial interests, would not be exploited given the potentially broad definition of 'commercial interest'. ESTA proposed that suppliers should provide information to customers on the costs associated with changing supplier

Our intention for this obligation is to avoid a situation where an installing supplier withholds information from a new supplier, with the aim of preventing the new supplier operating the ADM's advanced functionality. It is difficult to

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anticipate all of the scenarios that may occur with developing technology, but we currently expect that the proposed obligation would give assurance to the market that the basic relevant information necessary to operate an ADM would be available. We anticipate that this obligation would also underpin the servicing of new central industry arrangements with any necessary information related to the ADM.

### **Providing services to the new supplier**

3.41. We have proposed that large suppliers deploying high volumes of meters would be obliged to provide services to the new supplier that would enable the new supplier to operate the ADM.

3.42. Energy UK stated that all of its members support the intention of the proposals for service provision although they noted that the current industry arrangements do not enable the identification of the installing supplier.

3.43. We know that a number of the larger suppliers are progressing arrangements with third party service providers (the Smart Metering System Operator or SMSO) to manage communications with ADMs and, potentially, with SMETS meters at a later stage. Our understanding is that those arrangements would allow new suppliers to contract with service providers and receive similar services should they want to. Where suppliers are using the same service provider, arrangements are being developed to allow the supplier to know if an ADM is installed and for the new supplier to take over the operation of the ADM.

3.44. Our discussions with suppliers have confirmed that it will take some time for the arrangements for service provision to be established. As discussed in Chapter 2, this obligation will be implemented after 31 December 2012.

3.45. The Smart Metering Programme has stated an interest in encouraging arrangements in the foundation stage that would support the maintenance of smart services on change of supplier. We discuss this further in Chapter 4.

### **Supplier to supplier contracts**

3.46. By introducing obligations for installing suppliers to provide services to a new supplier we have not sought to regulate the terms that would be agreed between parties.

3.47. ScottishPower suggested an additional obligation that the terms (including price) upon which services were provided should be reasonable.

3.48. Energy UK noted that commercial arrangements between suppliers represented new ground for the industry and may take time to develop.

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3.49. We have no evidence to indicate that suppliers or third party service providers would not offer services on a reasonable commercial basis. We accept that commercial arrangements between suppliers for the provision services would take time to develop, but anticipate that third party service providers should have the appropriate incentives to negotiate reasonable terms. There is also the potential for third party service providers to develop gateways for communicating with ADMs on behalf of their client suppliers, subject to the appropriate security arrangements. We expect these arrangements to evolve rapidly and we will monitor developments.

3.50. We do not consider that the terms for these services should be regulated under a 'fair and reasonable' obligation on suppliers. These are new market developments. Such an obligation risks placing a considerable burden on the installing supplier to govern the arrangements their service provider may offer to others. As we are not obliging the new supplier to take up the service offering we are not persuaded that that it would be reasonable to seek to regulate them at this stage.

### **Privacy and security**

3.51. EdF raised a concern that the deployment of significant volumes of ADMs in advance of the enduring solution introduced additional risks for the effective management of security and privacy of data and systems. They argued that in advance of national standards for meters and communication arrangements being introduced, Ofgem and suppliers must require assurances that privacy of data is properly maintained. They also noted that if there were to be a failure in privacy and security related to ADMs in even a small number of cases, this could have a significant impact on the roll out of smart meters.

3.52. We note that the Smart Metering Programme is proposing specific licence conditions in relation to the security of SMETS meters in the Foundation stage. Suppliers will continue to have obligations in relation to data protection legislation.

### **Uncertainly over ADM rental charges**

3.53. A number of respondents expressed views on whether there was a need for regulation of the terms for rental of an ADM. First Utility suggested that if new suppliers were unable to utilise the advanced functionality, then the asset owner risks not receiving a full smart rental. They asked for assurance that the installing supplier would not be penalised for rolling out ADMs. EdF noted that there was the potential for disputes over asset rental between providers and suppliers that may not be resolved through commercial negotiations.

3.54. We have not proposed any regulations of the terms for the rental of ADMs. Our understanding is that the Smart Metering Programme is seeking to encourage the industry to reach a position where a smart rental would be the

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norm following change of supplier. We are therefore not proposing any new regulatory arrangements at this time.

### **Removing information from the meter**

3.55. We are introducing an obligation that no misleading or inaccurate information relating to charging should continue to be displayed relating to a previous contract following a change of supplier.

3.56. Some ADMs will have the ability to communicate with a display device in the home. For the enduring arrangements, suppliers are expected to have the systems and procedures to be able to reconfigure smart meters that will help ensure accurate and relevant information is presented on display devices. Our concern is that for ADMs, these arrangements may not be in place. We are therefore requiring the supplier to help ensure that no misleading information relating to charges is displayed.

3.57. Respondents agreed with the principle, but some suppliers noted that there were technical challenges depending on the type of ADM in use. In most cases, the charging rates would be set to zero (or in one case, 0.01p).

3.58. Ovo said that there were particular problems where the ADM is operating in prepayment mode. They said that tariff data would need to be maintained in the meter to calculate the credit decrementing on the meter. They added that industry arrangements would need to be developed to support the transfer of the meter and maintain the accuracy of billing.

3.59. We note that the capability of ADMs to accept an instruction to remove misleading data from the meter on change of supply will vary between meter types and technology. We remain of the view that suppliers should take all reasonable steps to remove misleading data relating to charges. We would not expect this to include for example a site visit which may cause additional inconvenience to the customer. However, an approach that sets the tariff in the meter display to zero is likely to be an acceptable solution for customers. We note that particular care will be needed where prepayment is concerned that may require the cooperation of suppliers. This issue will not arise with SMETS compliant meters, where the meter will be capable of being reconfigured remotely.

### **Charging for prepayment meter replacement**

3.60. We proposed that the new supplier must not charge the customer for the installation of a new prepayment meter where they need to maintain the prepayment service but cannot operate the exiting ADM. Consumer Focus supported this provision and noted the benefits that customers using prepayment may gain from having an ADM. OVO queried whether any cost of requiring a warrant should be excluded from the prohibition to charge.

3.61. We would not envisage that where a customer is entering into a new contract with their chosen supplier that the new supplier is likely to need to obtain a warrant to install meter to support the customers required tariff. However, we do not intend that such costs would be included in the prohibition to charge for a replacement meter.

### **Customer consent**

3.62. SSE commented that "*...Government has stated elsewhere that it considers verbal consent for suppliers is not sufficient, particularly in relation to sales and marketing during the installation visit. SSE is still unclear as to how Ofgem consider this approach to be appropriate in this area.*"

3.63. Our view is that the context in which the Government considered written consent necessary and which related to the consent a customer should give before a supplier could undertake marketing activities during a visit to the customer's home to install a smart meter<sup>13</sup>. Where a customer is entering into a contract for supply, they will be asked to provide a range of information to their new supplier. We are requiring that the supplier prompts the customers to say if they have an ADM and whether they are receiving advanced services (and by implication whether they value those services). We are not therefore asking for any additional 'consent' to be obtained from the customer.

### **Switching problems**

3.64. Consumer Focus noted that they had received complaints from customers who had experienced a loss of advanced services and refusal to supply where an ADM is installed.

3.65. Domestic suppliers have a licence obligation to offer to supply domestic customers following any request to do so by a domestic customer. We would be concerned if there was evidence that a domestic supplier was failing to comply with this obligation. While the number of complaints has been small, an increasing number of ADMs are being installed. We expect suppliers to act responsibly to help ensure that customer's experience of smart metering is a positive one and the supplier acts in accordance with their licence.

### **Exemption for early trials**

3.66. In the December consultation we proposed to include a mechanism in the licence conditions that would permit Ofgem to exempt meters installed as a result of historic trials that would not be suitable for incorporating in any

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<sup>13</sup>*Smart Metering Implementation Programme : Licence conditions for a Code of Practice for the installation of smart electricity and gas meters: a consultation(11D/837)*

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interoperability arrangements. Two suppliers indicated that they would wish to seek a direction in respect of such meters.

3.67. Where a clear case is made that certain types of meters have been installed where for technical reasons it is not plausible to provide services to other suppliers on a reasonable economic basis, we will exclude those meters from the obligation. Such cases may, for example, include meters used in the Energy Demand Research Project (EDRP)<sup>14</sup> where suppliers developed systems to support the meter in the trial environment but the meter would not be suitable to be managed through a common service provision.

## Impact assessment

3.68. The December document sets out an impact assessment (IA) (Appendix 3) related to the proposed obligations.

3.69. There were few comments on the assumptions made in the impact assessment. Energy Action Scotland stated that they thought that the detriment to customers encountering problems with switching would be higher than we had estimated. Consumer Focus noted that it did not consider the effect on competition in the energy services market of deploying ADMs in advance of the enduring solution for smart meters. They also questioned that the IA did not consider the exemptions for ADMs being considered by the Smart Metering Programme. They expressed concern that a small number of customers having a poor experience with ADMs would have a detrimental impact on the perception of smart meters and the roll out

3.70. Our proposals do not seek to introduce the standard meter equipment specifications and centralised communication services that would support the development of the energy services market; these are developments that the Smart Metering Programme will develop. We therefore do not consider it appropriate to include these within the IA for our proposals.

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<sup>14</sup>The Energy Demand Research Project (EDRP) was a suite of large scale trials across Great Britain. The aim was to understand how consumers react to improved information about their energy consumption over the long term. The EDRP trailed a range of methods of providing customers with improved feedback on their energy consumption. Further information may be found on the Ofgem website. <http://www.ofgem.gov.uk/Sustainability/EDRP/Pages/EDRP.aspx>

## 4. Smart Meter Implementation Programme and Foundation stage

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This chapter discusses how the new obligations would support the work being undertaken by the Smart Metering Programme to prepare for the mass roll out of smart metering.

4.1. As discussed in Chapter 1, the Smart Metering Programme is developing and introducing the enduring arrangements for smart metering. The new licence conditions we are introducing are targeted at the transitional issues arising from the early deployment of ADMs. These are important protections for customers and will help ensure that customers with ADMs have a positive experience when changing supplier.

4.2. We consider that the obligations we are introducing fit with the developments the Smart Metering Programme is initiating in the Foundation stage and in that context will help support the introduction of the enduring solution.

### Developments for the Foundation stage

4.3. The Smart Metering Programme is working with industry in the Foundation stage to prepare for the mass roll out of smart meters. This work includes developing testing and trialling arrangements for the introduction of the enduring solution as well as looking at the changes that would be needed to the existing industry central systems to support ADMs and SMETS meters deployed in advance of DCC go live.

4.4. The Smart Metering Programme has an expectation that industry should move towards a smart change of supplier. The aim is that in Quarter 4, 2013, the industry will have adopted arrangements that would enable the consumer to retain smart meter functionality on change of supplier.

4.5. To drive this work forward, the Smart Metering Programme has established a Foundation Strategy Group (FSG) together with supporting workgroups looking at testing and trialling and the development of an interim operating model

4.6. The FSG is considering the merits of adding data items to the central registration systems to identify if an ADM is installed and information about the operation of the ADM. Such information is likely to be useful for the enduring

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solution as well as supporting suppliers in meeting these new licence obligations.  
We will support this work.

## **The enduring solution**

4.7. As discussed above, the Smart Metering Programme is introducing new industry arrangements to support smart metering that includes the specification for smart meters and the central arrangements under the DCC that will allow suppliers to communicate with them. Smart meters operated under these arrangements in accordance with the Smart Energy Code will be fully interoperable; the new supplier will be able to take over the operation a smart meter with no loss of the core functionality and maintenance of services for customers.

4.8. For these smart meters, the obligations in respect of information and service provision we are introducing will be met through the new arrangements. There would be no need for an installing supplier to provide information or services to a new supplier as these would be codified through the Smart Energy Code and accompanying licence conditions.



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## Appendices

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<b>Appendix</b>	<b>Name of Appendix</b>
1	The Licence Conditions and Notice
2	Glossary
3	Feedback questionnaire

## Appendix 1 –The Licence Conditions and Notice

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To: The holders of an Electricity Supply Licence

### **MODIFICATION OF STANDARD CONDITIONS OF THE ELECTRICITY SUPPLY LICENCE GRANTED UNDER SECTION 6(1)(d) OF THE ELECTRICITY ACT 1989, (AMENDMENT TO STANDARD CONDITION 22 AND INSERTION OF NEW STANDARD CONDITION 25B)**

#### **Whereas:**

1. In accordance with section 11A(2) of the Electricity Act 1989 (“the Act”) the Gas and Electricity Markets Authority (the “Authority”) gave notice on 19 June 2012 (the Notice)<sup>15</sup> that it proposed to modify the Standard Conditions of the Electricity Supply Licence (“the Licence”) in the manner set out in the schedule to the Notice. The modifications involve the insertion of a new Standard Condition 25B (Interoperability of Advanced Domestic Meters) and consequential amendment to Standard Condition 22 (Duty to offer and supply under Domestic Supply Contract) of the Licence.
2. As stated in the Notice, the effect of the proposed modification(s) **will help domestic customers understand if the advanced meter services they are receiving will be maintained when they switch supplier and therefore to facilitate the switching process for customers with these meters. The new conditions will also help the new supplier seeking to continue to support those services.**
3. The Authority received nine responses to the Notice<sup>16</sup>. Respondents recognised that there were issues with the current arrangements and broadly supported our proposals. One respondent described the proposals as sensible and pragmatic. There were differing views as to the complexity of the solutions and the time needed to implement them that respondents considered would be needed to support compliance with the new obligations. A number of respondents asked for greater clarity as to the actions that a supplier would need to take to be compliant with the obligations. There were also suggestions as to how the text of the licence conditions could be improved. A number of suppliers indicated their

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<sup>15</sup> [Supporting effective switching for domestic customers with smart meters: additional statutory notice - \(Reference number: 79/12\)](#). This notice supersedes previous related notices from March 2012 and December 2011.

<sup>16</sup> See link at footnote 1.

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concern as to the lead time available for implementing changes to their systems and processes to meet the obligations; in particular the requirements for informing a new customer of any loss of advanced services through their sales channels. The Authority has considered all the responses made in relation to the proposed licence modifications and full details of such consideration can be found in Section 3 of "Supporting effective switching for domestic customers with smart meters: Modification of supply licence standard conditions,"<sup>17</sup> and which is published alongside this notice.

4. In accordance with section 11A(4)(b)(ii) of the Act, the Authority sent a copy of the Notice to the Secretary of State. The Authority has not received a direction not to make the modifications from the Secretary of State.
5. The Authority has decided to make the proposed licence modifications. The Authority's reasons for making the modifications, by inserting a new Standard Condition 25B and making a consequential amendment to Standard Condition 22 are as set out in Section 3 of "Supporting effective switching for domestic customers with smart meters: Modification of supply licence standard conditions,"<sup>18</sup>. However, in summary the Authority considers that the modifications **will help domestic customers understand if the advanced meter services they are receiving will be maintained when they switch supplier and therefore to facilitate the switching process for customers with these meters. The new conditions will also help the new supplier seeking to continue to support those services.**
6. We made minor changes to the licence drafting consulted on and these are highlighted in the schedule to this Modification.
7. Documents referred to in this Modification are available free of charge from the Ofgem Research and Information Centre, 9 Millbank, Westminster, SW1P 3GE (020 7901 7003 or [library@ofgem.gov.uk](mailto:library@ofgem.gov.uk)) or from the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)). The non confidential responses received are also available from the Ofgem Research and Information Centre or on the Ofgem website.<sup>19</sup>

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<sup>17</sup> *Supporting effective switching for domestic customers with smart meters: Modification of supply licence standard conditions (118/12)*  
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=47&refer=Markets/sm/metering/sm>

<sup>18</sup> *Supporting effective switching for domestic customers with smart meters: Modification of supply licence standard conditions (118/12)*  
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=47&refer=Markets/sm/metering/sm>

<sup>19</sup> <http://www.ofgem.gov.uk/CustomPages/Pages/Publications.aspx>

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**Therefore:**

- 8.** In accordance with the powers contained in section 11A(1) of the Act, the Authority hereby issues its decision to modify the Standard Conditions of the Licence granted under section 6(1)(d) of the Act by inserting a new Standard Condition 25B and amending Standard Condition 22 in the manner set out in the schedule to this Modification, with effect from 1 November 2012. This document constitutes notice of the reasons for the decision to modify the Standard Conditions of the Licence as required by section 49A of the Act.

**The official seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of:**

.....

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

**28 August 2012**

## SCHEDULE

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

**Minor drafting changes (as shown in track changes) have been made to the version consulted upon to correct the paragraph numbering.**

#### **1. New standard condition 25B**

The text below constitutes the new standard condition 25B:

#### **Condition 25B. Interoperability of Advanced Domestic Meters**

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

25B.1 This paragraph applies 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.

25B.2 Where paragraph 25B.1 applies 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, 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.

25B.~~32~~ 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.~~43~~ Where paragraph ~~32~~ 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.

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25B.54 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.65 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 76 from the Installation Licensee.

25B.76 Where paragraph 65 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.87 The licensee is not required to give information under paragraph 76, 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.98 The licensee is not required to give information under paragraph 76 which it could not be compelled to produce or give in evidence in civil proceedings before a court.

25B.109 Where the Installation Licensee receives a request from a Proposed New Electricity Supplier, after 31st 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.1110 The Installation Licensee is not required to comply with paragraph 109 where it-

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

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- (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.~~1211~~ The licensee is not required to comply with Standard Condition 25B.~~109~~ to such extent as the Authority may from time to time direct.

**Replacement of a Prepayment Advanced Domestic Meter**

25B.~~1312~~ 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 though 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.~~1413~~ 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.~~1514~~ The licensee is not required to comply with paragraph ~~1413~~ if it could not be compelled to produce or give the Information in evidence in civil proceedings before a court.

**Definitions for condition**

25B.~~1615~~ 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

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	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 a Electricity Supplier that is not the Installation Licensee and is seeking to enter into a Domestic Supply Contract with a particular Domestic Customer.

## 2. 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 132 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).

To: Holders of a Gas Supply Licence

**MODIFICATION OF STANDARD CONDITIONS OF THE GAS SUPPLY LICENCE GRANTED UNDER SECTION 23(1) OF THE GAS ACT 1986, (AMENDMENT TO STANDARD CONDITION 22 AND INSERTION OF NEW STANDARD CONDITION 25B)**

**Whereas:**

- 9.** In accordance with section 23(2) of the Gas Act 1986 (“the Act”) the Gas and Electricity Markets Authority (the “Authority”) gave notice on 19 June 2012 (the Notice)<sup>20</sup> that it proposed to modify the Standard Conditions of the Gas Supply Licence (“the Licence”) in the manner set out in the schedule to the Notice. The modifications involve the insertion of a new Standard Condition 25B (Interoperability of Advanced Domestic Meters) and consequential amendment to Standard Condition 22 (Duty to offer and supply under Domestic Supply Contract) of the Licence.
- 10.** As stated in the Notice, the effect of the proposed modification(s) will help domestic customers understand if the advanced meter services they are receiving will be maintained when they switch supplier and therefore to facilitate the switching process for customers with these meters. The new conditions will also help the new supplier seeking to continue to support those services.
- 11.** The Authority received nine responses to the Notice<sup>21</sup>. Respondents recognised that there were issues with the current arrangements and broadly supported our proposals. One respondent described the proposals as sensible and pragmatic. There were differing views as to the complexity of the solutions and the time needed to implement them that respondents considered would be needed to support compliance with the new obligations. A number of respondents asked for greater clarity as to the actions that a supplier would need to take to be compliant with the obligations. There were also suggestions as to how the text of the licence conditions could be improved. A number of suppliers indicated their concern as to the lead time available for implementing changes to their systems and processes to meet the obligations; in particular the requirements for informing a new customer of any loss of advanced services through their sales channels. The Authority has considered all the responses made in relation to the proposed licence modifications and full details of such consideration can be found in Section 3 of “Supporting effective switching for domestic customers with smart

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<sup>20</sup> [Supporting effective switching for domestic customers with smart meters: additional statutory notice- \(Reference number: 79/12\)](#). This notice supersedes previous related notices from March 2012 and December 2011.

<sup>21</sup> See link at footnote 1.

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meters: Modification of supply licence standard conditions,<sup>22</sup> and which is published alongside this notice.

12. In accordance with section 23(4)(b)(ii) of the Act, the Authority sent a copy of the Notice to the Secretary of State. The Authority has not received a direction not to make the modifications from the Secretary of State.
13. The Authority has decided to make the proposed licence modifications. The Authority's reasons for making the modifications, by inserting a new Standard Condition 25B and making a consequential amendment to Standard Condition 22 are as set out in Section 3 of "Supporting effective switching for domestic customers with smart meters: Modification of supply licence standard conditions,"<sup>23</sup>. However, in summary the Authority considers that the modifications **will help domestic customers understand if the advanced meter services they are receiving will be maintained when they switch supplier and therefore to facilitate the switching process for customers with these meters. The new conditions will also help the new supplier seeking to continue to support those services.**
14. We made minor changes to the licence drafting consulted on and these are highlighted in the schedule to this Modification.
15. Documents referred to in this Modification are available free of charge from the Ofgem Research and Information Centre, 9 Millbank, Westminster, SW1P 3GE (020 7901 7003 or [library@ofgem.gov.uk](mailto:library@ofgem.gov.uk)) or from the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)). The non confidential responses received are also available from the Ofgem Research and Information Centre or on the Ofgem website.<sup>24</sup>

**Therefore:**

16. In accordance with the powers contained in section 23(1) of the Act, the Authority hereby issues its decision to modify the Standard Conditions of the Licence granted under section 7A(2) of the Act by inserting a new Standard Condition 25B and amending Standard Condition 22 in the manner set out in the schedule to this Modification, with effect from 1 November 2012. This document

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<sup>22</sup> *Supporting effective switching for domestic customers with smart meters: Modification of supply licence standard conditions (118/12)*  
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=47&refer=Markets/sm/metering/sm>

<sup>23</sup> *Supporting effective switching for domestic customers with smart meters: Modification of supply licence standard conditions (118/12)*  
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=47&refer=Markets/sm/metering/sm>

<sup>24</sup> <http://www.ofgem.gov.uk/CustomPages/Pages/Publications.aspx>



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constitutes notice of the reasons for the decision to modify the Standard  
Conditions of the Licence as required by section 38A of the Act.

**The official seal of the Gas and Electricity Markets Authority here affixed is  
authenticated by the signature of:**

.....

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

**28 August 2012**

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## **SCHEDULE**

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

**Minor drafting changes (as shown in track changes) have been made to the version consulted upon to correct the paragraph numbering and to correct the fact that the amendment to Standard Condition 22 mistakenly showed the condition contained in the Electricity Supply Licence instead of the Gas Supply Licence.**

#### **1. New standard condition 25B**

The text below constitutes the new standard condition 25B:

#### **Condition 25B. Interoperability of Advanced Domestic Meters**

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

25B.1 This paragraph applies 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.

25B.2 Where paragraph 25B.1 applies 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, 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.

25B.32 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.43 Where paragraph 32 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.54 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.65 This paragraph applies where:

(c) the licensee is the Installation Licensee; and

(d) a Proposed New Gas Supplier has requested the information referred to in paragraph 76 from the Installation Licensee.

| 25B.76 Where paragraph 65 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.87 The licensee is not required to give information under paragraph 76, 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.98 The licensee is not required to give information under paragraph 76 which it could not be compelled to produce or give in evidence in civil proceedings before a court.

| 25B.109 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.

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25B.110 The Installation Licensee is not required to comply with paragraph 109 where it-

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

25B.121 The licensee is not required to comply with Standard Condition 25B.10 to such extent as the Authority may from time to time direct.

**Replacement of a Prepayment Advanced Domestic Meter**

25B.132 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 though 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.143 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.154 The licensee is not required to comply with paragraph 143 if it could not be compelled to produce or give the Information in evidence in civil proceedings before a court.

**Definitions for condition**

25B.165 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	means a Gas Meter that, either on its own or with an ancillary device:

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Advanced Domestic Meter	<p>(a) provides measured gas consumption data for multiple time periods and is able to provide such data for at least daily periods;</p> <p>(b) is able to provide the licensee with remote access to such data;</p> <p>(c) operating in a mode which requires a Domestic Customer to pay Charges for the Supply of Gas in advance; and</p> <p>(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.</p>
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. Amendments to paragraph ~~67~~ of standard condition 22

The text below which is highlighted by track changes in bold, constitutes the drafting changes envisaged in respect of the modifications to paragraph ~~67~~ 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);~~

~~22.6 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 Domestic Premises are not connected, whether directly or indirectly, to a relevant main;~~

~~(b) supplying gas to the Domestic Premises would, or might, involve danger to the public, provided that the licensee has taken all reasonable steps to prevent such danger from occurring;~~

~~(c) **without prejudice to paragraph 132 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~~

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(d) 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 - Glossary

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## A

### Advanced Domestic Meter (ADM)

A meter installed in a domestic premise that provides measured gas or electricity consumption data for multiple time periods, and is able to provide the relevant supplier with remote access to such data. An ADM may be operated in prepayment mode.

## C

### Commercial Interoperability

The contractual terms on which a new supplier can use the meter and related equipment when a customer changes supplier.

### Consumer

A person or organisation using electricity or gas at a meter point.

### Consumer Focus

The statutory consumer champion for GB consumers.

## D

### Data and Communications Company (DCC)

New proposed entity which would be created and licensed to deliver central data and communications activities. DCC would be responsible for managing the procurement and contract management of data and communications services that will underpin the smart metering system.

### Department of Energy and Climate Change (DECC)

Government department responsible for energy policy and climate change mitigation policy.

## E

### Early movers

Suppliers who are already installing meters with "smart" functionality. Supporting effective switching for domestic customers with smart meters

### Electronic Consumption Data Display (ECD)

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. An IHD may fall within this definition.

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### Energy Demand Research Project (EDRP)

The EDRP is a suite of large scale trials across Great Britain that seeks to better understand how consumers react to improved information about their energy consumption. The EDRP has trialled a range of methods of providing customers with improved feedback on their energy consumption and other associated interventions. These interventions include smart meters, enhanced energy consumption information on bills, energy efficiency information, visual display units, incentives to reduce or shift consumption and community engagement.

### Energy Suppliers (suppliers)

A company licensed by Ofgem to sell energy to and bill customers in Great Britain.

## F

### Foundation stage

The period before market readiness for the mass roll out is fully established. This is also referred to as Phase 2 of the Smart Metering Implementation Programme.

## I

### In-home display (IHD)

A device capable of displaying near real-time information on energy consumption in a readily accessible form. Government is mandating that all domestic consumers should be offered an in-home display as part of the roll out of smart metering.

### Interoperability

The ability of diverse systems, devices or organisations to work together (interoperate) on both a technical and commercial basis.

## L

### Licence

Transporting, shipping and supplying gas; and generating, transmitting, distributing and supplying electricity are all licensable activities. Ofgem grants licences which permit parties to carry out these activities in the GB market. The licenses require the establishment of a number of multilateral industry codes that underpin the gas and Supporting effective switching for domestic customers with smart meters electricity markets. Licensees need to be signed up as parties to codes in order to operate in the gas and electricity markets.

## M

### Metering services



## Supporting effective switching for domestic customers with smart meters: Modification of supply licence standard conditions.

Metering services include installation, provision, and maintenance of both electricity and gas meters. In electricity, metering services also refers to the retrieval, processing and aggregation of consumption data.

### **O**

#### [Ofgem](#)

The Office of Gas and Electricity Markets (Ofgem) is responsible for protecting gas and electricity consumers in Great Britain. It does this by promoting competition, wherever appropriate, and regulating the monopoly companies that run the gas and electricity networks. Ofgem is governed by the Gas and Electricity Markets Authority.

### **P**

#### [Pre payment meter \(PPM\)](#)

The type of meters that require payment for energy to be made in advance of use or they will prevent the supply of gas or electricity. A PPM customer pays for energy by inserting electronic tokens, keys or cards into the meter.

#### [Prepayment mode](#)

Smart meters are capable of switching between prepayment and credit mode. When operating in prepayment mode customers have to pay for their energy before using it.

### **S**

#### [Smart meter](#)

A meter which, in addition to traditional metering functionality (measuring and registering the amount of energy which passes through it) is capable of providing additional functionality for example two way communication allowing it to transmit meter reads and receive data remotely. It must also comply with the technical specification set out by the Smart Metering Programme.

#### [Smart Metering Equipment Technical Specification \(SMETS\)](#)

The technical specification for smart meters and associated equipment that will describe equipment to be installed in premises that will meet the requirements of the mandate for the installation of smart meters.

#### [Smart Metering Implementation Programme \("the Smart Metering Programme"\)](#)

The central change programme established by government to develop and implement the regulatory framework for the roll out of smart metering. Supporting effective switching for domestic customers with smart meters

#### [Spring Package](#)

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A package of measures put forward by Ofgem in February 2011 to help ensure consumer interests remain protected in response to early moves by suppliers to start installing meters with smart functionality before the regulatory framework for the roll-out is in place. Protections around remote switching to prepayment and remote disconnection for domestic consumers were implemented in October 2011.

**T**

Traditional meter

A meter for registering the consumption of gas volume or electrical energy, which does not have any advance or smart metering functionality as prescribed or approved by government.

## Appendix 3 - Feedback Questionnaire

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1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

- 17.** Do you have any comments about the overall process, which was adopted for this consultation?
- 18.** Do you have any comments about the overall tone and content of the report?
- 19.** Was the report easy to read and understand, could it have been better written?
- 20.** To what extent did the report's conclusions provide a balanced view?
- 21.** To what extent did the report make reasoned recommendations for improvement?
- 22.** Please add any further comments?

1.2. Please send your comments to:

**Andrew MacFaul**  
Consultation Co-ordinator  
Ofgem  
9 Millbank  
London  
SW1P 3GE  
andrew.macfaul@ofgem.gov.uk