

To all suppliers and other  
interested parties

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Date: 10 December 2020

Dear Stakeholder,

## **Decision: Smart meter rollout supplier reporting requirements from 1 July 2021 onwards**

In autumn 2019, Ofgem published a statutory consultation on our proposals for the post-2020 smart meter rollout supplier reporting requirements which was based on Government's proposals for a new smart meter rollout framework. The consultation closed on 26 November 2019.

Since our autumn 2019 consultation, Government has published its decision on the overarching framework for the rollout and we are, therefore, publishing our decision on the reporting requirements energy suppliers will be subject to under the new obligation. The charts in Annex 1 provide an accessible summary of the reporting requirements for large and small suppliers, as will be required under the Electricity and Gas Supply Licences.

### **1. Background**

#### The post-2020 obligation:

On 18 June 2020, Government published its decision on a new regulatory framework that will continue to drive market-wide rollout of smart and advanced meters to domestic and smaller non-domestic premises<sup>1</sup>. Government has confirmed that all suppliers in the market will have binding annual installation targets to roll out smart and advanced meters to their remaining non-smart customer base for four years from mid-2021 to mid-2025. Each year the annual targets will be re-set based on the proportion of a supplier's customer base without

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<sup>1</sup> [Government Decision - June 2020](#)

a smart or advanced meter<sup>2</sup>. In light of Covid-19, Government has confirmed that this new obligation will commence on 1 July 2021 following a six-month extension to the current 'all reasonable steps' obligation<sup>3</sup> which will run until 30 June 2021. The Government consultation on the target levels for the first two years of the new framework, published on 23 November 2020, does not affect our proposals and decisions<sup>4</sup>.

## **2. Consideration of consultation responses and Ofgem decision**

We received 24 responses to the consultation from a mix of energy suppliers, Meter Asset Providers (MAPs), Distribution Network Operators, consumer bodies, Smart Energy GB and the Ombudsman.

### **2.1 Overarching Principles:**

#### *2.1.1 Minded-to positions:*

As overarching principles in our autumn 2019 consultation, we were minded-to:

1. Require all suppliers to report to Ofgem annually both their annual targets and their performance against these targets.
2. Require all suppliers to report to us on 31 January of each relevant year their annual targets and performance against these for the previous year.
3. For reporting purposes, set a threshold whereby those suppliers with 150,000 gas and/or electricity customer accounts would be defined as large suppliers and where those with less than a 150,000 gas and/or electricity accounts would be defined as small suppliers.

#### *2.1.2 Stakeholder responses and Ofgem decision:*

##### Annual reporting:

##### *Stakeholder responses*

Ofgem received limited responses to our minded-to position to require all suppliers to report to us on annual targets at the start of the year and performance against these at the end of the year. Some respondents noted that suppliers should only report against annual targets, as reporting on targets at the start of the year would not be necessary due to targets being set through a formula in the licence.

##### *Ofgem decision*

In order to provide regulatory oversight of this obligation and to monitor supplier progress, we will require all suppliers to report to us their targets for the year ahead and report their

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<sup>2</sup> Means premises without a smart or advanced meter as set out in Electricity Supply Licence SLC 39A.4 and Gas Supply Licence SLC 33A.4

<sup>3</sup> Electricity Supply Licence SLC 39 & Gas Supply Licence SLC 33

<sup>4</sup> [Government Consultation](#)

performance against these at the end of the year. While we recognise that the targets will be set in accordance with a pre-determined formula as set out in the licence, we consider that it will be helpful for both suppliers and Ofgem to have a shared understanding of the targets suppliers are being held to each year.

#### Timing for reporting:

##### *Stakeholder responses*

In terms of our minded-to position on timing for reporting for both beginning of year reporting and for reporting performance against binding targets, stakeholders generally did not raise concerns. Some stakeholders raised that they would like to see Ofgem retain the 7-day submission window that is currently set out in the licence for reporting under the current 'all reasonable steps' obligation<sup>5</sup>.

##### *Ofgem decision*

In line with our consultation proposal, we will require suppliers to report to Ofgem one month after the end of each relevant rollout year. In light of the Government decision to extend the current regulatory framework for the smart meter rollout by six months, the reporting date will be one month after the ARS specified date and one month after the end of each rollout year up to and including 2025.

We will not retain the seven-day submission window as exists under the current obligation; large suppliers have very rarely made use of that window and have been able to submit within the required timeline so we do not believe that additional flexibility is necessary.

#### Reporting threshold:

##### *Stakeholder responses*

On our minded-to position to introduce a 150,000 gas and/or electricity account reporting threshold, some stakeholders argued that as the obligation applies to all suppliers the same reporting requirements should be placed on all suppliers. Stakeholders further argued that if there was a reporting threshold, it should be set at 50,000 customers in line with the threshold for when suppliers under the licence are required to have a pre-payment solution it can offer its customers.

##### *Ofgem decision*

Following the consultation, we have removed some of the proposed reporting requirements for large suppliers (see below), which means that the reporting requirements for all suppliers are now more aligned. However, as we consider that it will only be proportionate to require

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<sup>5</sup> Electricity Supply Licence SLC 44.6(a) & Gas Supply Licence SLC 38.6(a)

the large suppliers to report on their planned delivery split to different customer groups, we have, in line with our consultation proposals, decided to set a reporting threshold at 150,000 gas and/or electricity accounts. We note that suppliers will be required to report as large suppliers if they are above the threshold on the ARS Specified date<sup>6</sup> or the last day of each rollout year up to and including 2024.

## **2.2 Beginning of Year Reporting**

### *2.2.1 Minded-to positions:*

In regard to beginning of year reporting, we were minded to:

1. Require all suppliers to submit by 31 January in each of the four years from 2021 their calculated annual targets for both gas and electricity for the upcoming year. This would include confirmation of their Qualifying Relevant Premises for both gas and electricity as well as total customer base as of 31 December of the preceding year.
2. Require large suppliers to submit additional information on their planned split of annual target delivery to different customer groups, their projected installer capacity, productivity and abort rates, as well as key dependencies and risks for the upcoming year.
3. Review and respond to large suppliers with relevant observations and only respond to small suppliers where we had a query about the calculation of the annual targets.

### *2.2.2 Stakeholders responses and Ofgem decision:*

#### Content of Beginning of Year Reporting – all suppliers:

##### *Stakeholder responses:*

We received limited responses on our minded-to position on the content of the Beginning of year Reporting for all suppliers and those that responded were broadly supportive of our proposal in this area.

##### *Ofgem decision:*

We will require all suppliers to report to us their calculated annual targets, their total customer base number and the number of Qualifying Relevant Premises in their customer portfolios as of the ARS specified date and the last day of the relevant rollout year<sup>7</sup>.

#### Additional reporting for large suppliers:

##### *Stakeholder responses*

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<sup>6</sup> 30 June 2021

<sup>7</sup> Electricity Supply Licence SLC 39A.4 and Gas Supply Licence SLC 33A.4

The stakeholders who responded to our proposal that large suppliers should be required to report additional information to Ofgem were largely supportive of our minded-to position. However, some stakeholders argued that the reporting requirements should be the same for all suppliers; some argued that large suppliers should not be required to describe key dependencies and risks as part of their reporting as it would not be relevant in a world where suppliers are subject to binding annual targets; and others raised that large suppliers should be required to report on plans to roll out smart meters to customers on the Priority Services Register (PSR) in order to ensure suppliers did not deprioritise these customers.

#### *Ofgem decision*

We will require the large suppliers to report on the planned split in annual target delivery to credit, pre-payment, domestic and non-domestic customers. We consider that it is important that suppliers actively reflect on how they plan to ensure that all customers are able to access the benefits of smart meters. As previously noted, we are keen to ensure we do not introduce a disproportionate reporting burden on small suppliers who might also not have substantial numbers of customers in each of the four groups of customers.

We fully recognise the importance of ensuring that PSR customers are also able to access the benefits of smart meters. We already have wider monitoring of the consumer experience relating to smart in place and we will continue to monitor this under the new obligation. However, as the eligibility for the PSR encompasses a broad range of needs, we consider that without further information and in this context, splitting data by PSR/non-PSR would not add significant additional value. We will, therefore, not require large suppliers to report on this under this obligation.

We have decided not to require the large suppliers to report on projected installer capacity, productivity and abort rates or their key dependencies and risks as part of their Beginning of Year Reporting as we do not consider that it is necessary for the purpose of this particular report which is focused on ensuring that both suppliers and Ofgem to have a shared understanding of the targets suppliers are being held to each year. Where relevant, we expect these issues to be addressed in the performance narrative that will form part of the End of Year Reporting.

#### Process for managing beginning of year submissions:

##### *Stakeholder responses*

Of the stakeholders who expressed a view on our proposals for how Ofgem planned to manage the beginning of year submissions, some considered that we should not differentiate between large and small suppliers and that Ofgem's approach should apply to all suppliers equally.

### *Ofgem decision*

Although our proposals for reporting under the new obligation have sought to streamline the information we will require from suppliers, the new obligation does mean that all suppliers will have binding annual targets and will have to report to Ofgem. This will mean that Ofgem will receive a substantial number of submissions and we will, therefore, take the following approach for all suppliers: We will only respond where we disagree with suppliers' target calculations or have any questions on their submissions. We consider that this will make the process more manageable for both suppliers and Ofgem.

## **2.3 End of Year Reporting**

### *2.3.1 Minded-to positions:*

In regard to end of year reporting, we were minded to:

1. Require all suppliers by 31 January in each of the four relevant years to submit to us their annual targets for gas and electricity for the preceding year and the number of installations for Qualifying Relevant Premises as well as a narrative setting out their performance for the previous year.
2. Require large suppliers to submit additional information on performance against planned delivery to credit, pre-payment, domestic and non-domestic customers for gas and electricity in the preceding year.

### *2.3.2 Stakeholder responses and Ofgem decision*

#### Content of End of Year Reporting – All Suppliers:

##### *Stakeholder responses*

Of the responses received, most stakeholders agreed with Ofgem's proposed approach. Some stakeholders noted that they would like to see Ofgem publish a list of the factors we will take into account in making enforcement decisions relating to annual target performance. Other stakeholders questioned why Ofgem would need a narrative where a supplier had achieved its targets.

##### *Ofgem decision*

Ofgem will require all suppliers to report against their annual targets including setting out what their targets were for the previous year, the number of installations to Qualifying Relevant Premises and a narrative setting out their performance for the previous year. In light of the Government decision to extend the current obligation by six months, we will require suppliers to report this information to us one month after the end of the reporting year (i.e. 31 July). Given that a supplier's failure to achieve its targets would be a breach of

its licence under the new obligation, this is the baseline of information we require in order to determine whether there is a breach. The required narrative is an opportunity for suppliers to offer wider context to their performance for that year, which will provide us with a market-wide picture of rollout activity. We intend to develop reporting templates in spring 2021 and we will engage with suppliers on design and content.

Regarding the points raised by stakeholders at consultation phase on the list of factors we will consider when making enforcement decisions on annual targets, we note that we will have regard to our enforcement guidelines<sup>8</sup> in making any such decisions.

#### Additional end of year performance reporting – Large suppliers:

##### *Stakeholder responses*

We received limited responses to our proposals to require large suppliers to report on their performance against the planned split of target delivery to credit, pre-payment, domestic and non-domestic customers. Of those that provided comments on these proposals, respondents felt that this requirement should apply to all suppliers.

##### *Ofgem decision*

As previously outlined, large suppliers will be required to report on their planned split of annual target delivery to credit, pre-payment, domestic and non-domestic customers at the start of each year. Consistent with this decision, we will also require large suppliers to report on their performance at the end of the year against their planned split as reported to us at the start of the year. Furthermore, we do not consider that it will be proportionate to require small suppliers to report on this as they are unlikely to have substantial numbers of customers in each of the four groups.

## **2.4 Publication of information**

### *2.4.1 Minded-to positions:*

In regard to publication of information, we were minded to:

1. Require all suppliers to publish on their website their annual targets for the upcoming year and their performance against these for the preceding year. We were minded to require suppliers to publish this information when they reported to Ofgem in January each year and to provide a link to us to where the information had been published on the supplier website.
2. Additionally, to require large suppliers to publish on their website the planned split of annual target delivery to credit, pre-payment, domestic and non-domestic customers

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<sup>8</sup> [Ofgem Enforcement Guidelines](#)

at the start of the year and their performance against this plan at the end of the year. We were minded to require suppliers to publish this information when they reported to Ofgem in January each year and to provide a link to us to where the information had been published on the supplier website.

#### *2.4.2 Stakeholder responses and Ofgem decision:*

The feedback we received from stakeholders on our minded-to positions regarding publication of information covered the same points and we will therefore deal with them together below.

##### Publication of information:

###### *Stakeholder responses*

Over half of the stakeholders who responded to this minded-to position were supportive of our proposals in this area. However, a number of respondents felt that suppliers should not be required to publish this information due to the risk that failure of suppliers to achieve the targets might create negative sentiment towards the smart meter rollout. Respondents further noted that if these proposals were to go ahead, suppliers should be allowed to provide a narrative around the data.

###### *Ofgem decision*

Following consideration of the stakeholders' responses, we have decided to proceed in line with our minded-to positions and we will require all suppliers to publish their annual targets and their performance against these targets in each relevant year. We will also require large suppliers to publish on their website their performance against their planned split of annual target delivery to credit, pre-payment, domestic and non-domestic customers. Suppliers will be required to publish this information on their websites at the same time as they report to us one month after the ARS specified date and one month after the end of each relevant rollout year. We do not consider that concerns about sentiment towards the rollout should suppliers not meet their targets is sufficient to outweigh the public interest in greater transparency on rollout delivery. We would have no objections to suppliers publishing a narrative on their websites to accompany the publication of the targets and performance against these, and indeed their customers (or prospective customers) may find this helpful.

### **3. Licence drafting**

During our consultation in autumn, we consulted on the draft licence conditions that would underpin these reporting requirements and we asked for stakeholder's views on these.

###### *Stakeholder responses*

We did not receive any comments on the Ofgem draft Standard Licence Conditions.



### *Ofgem decision*

We have made minor changes to the draft Standard Licence Conditions published alongside the autumn 2019 consultation. These changes are centred around reporting deadlines to reflect the Government's decision to extend the current obligation for six months, which has a knock-on effect on reporting dates under the new obligation. We consider these changes to be minor as they do not change the substance of what we consulted on in autumn 2019. These changes are set out in Annex 2 & 3 as published alongside this decision document.

## **4. Next steps**

The Standard Licence Conditions for both gas and electricity are published alongside this decision (annex 2 & 3) and will come into effect not less than 56 days following publication of our decision.

We plan to develop reporting templates in spring 2021 and will engage with suppliers on design and content in due course.

Yours faithfully,

**Jacqui Russell**

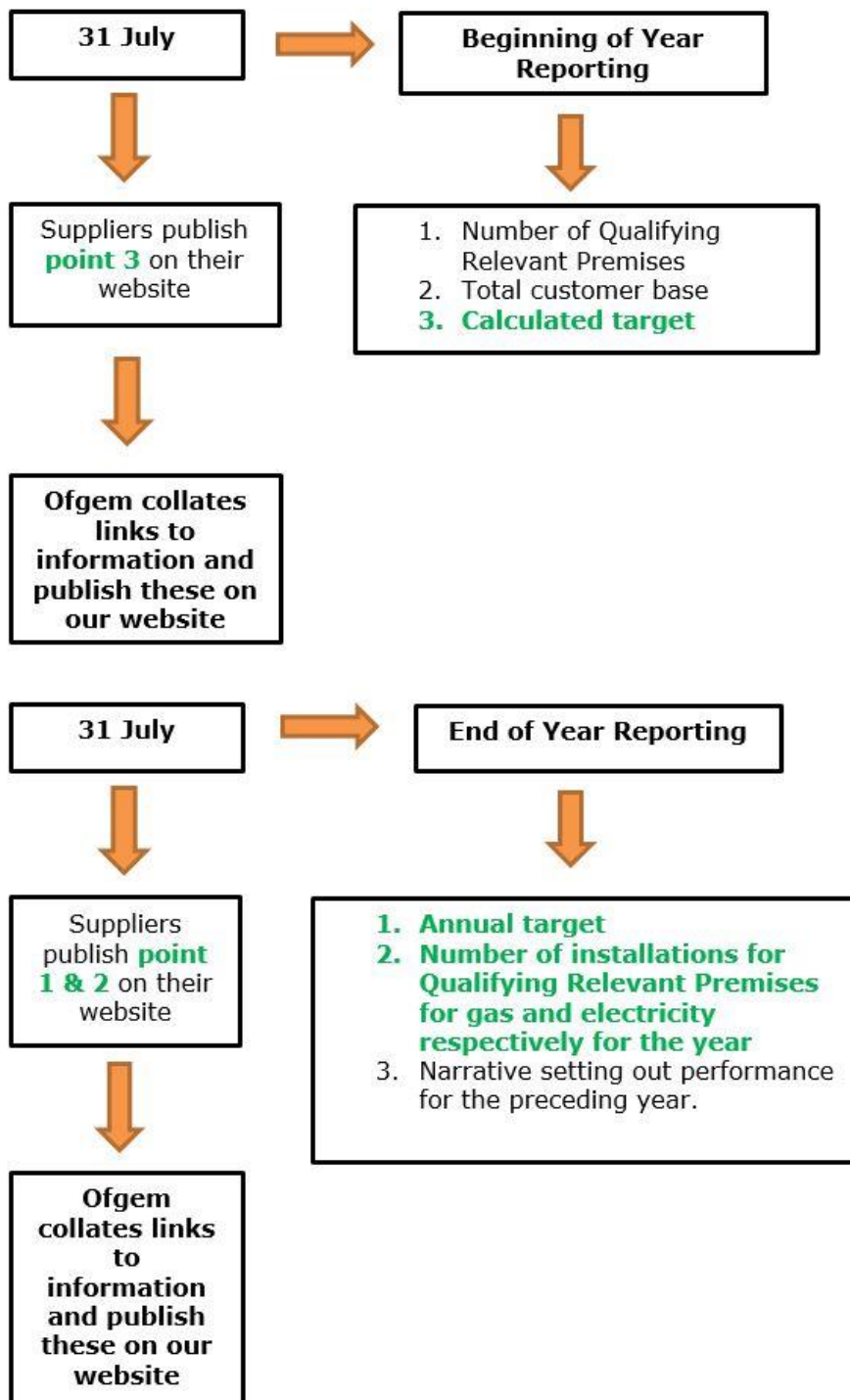
**Head of Metering & Market Operations**

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

**10 December 2020**

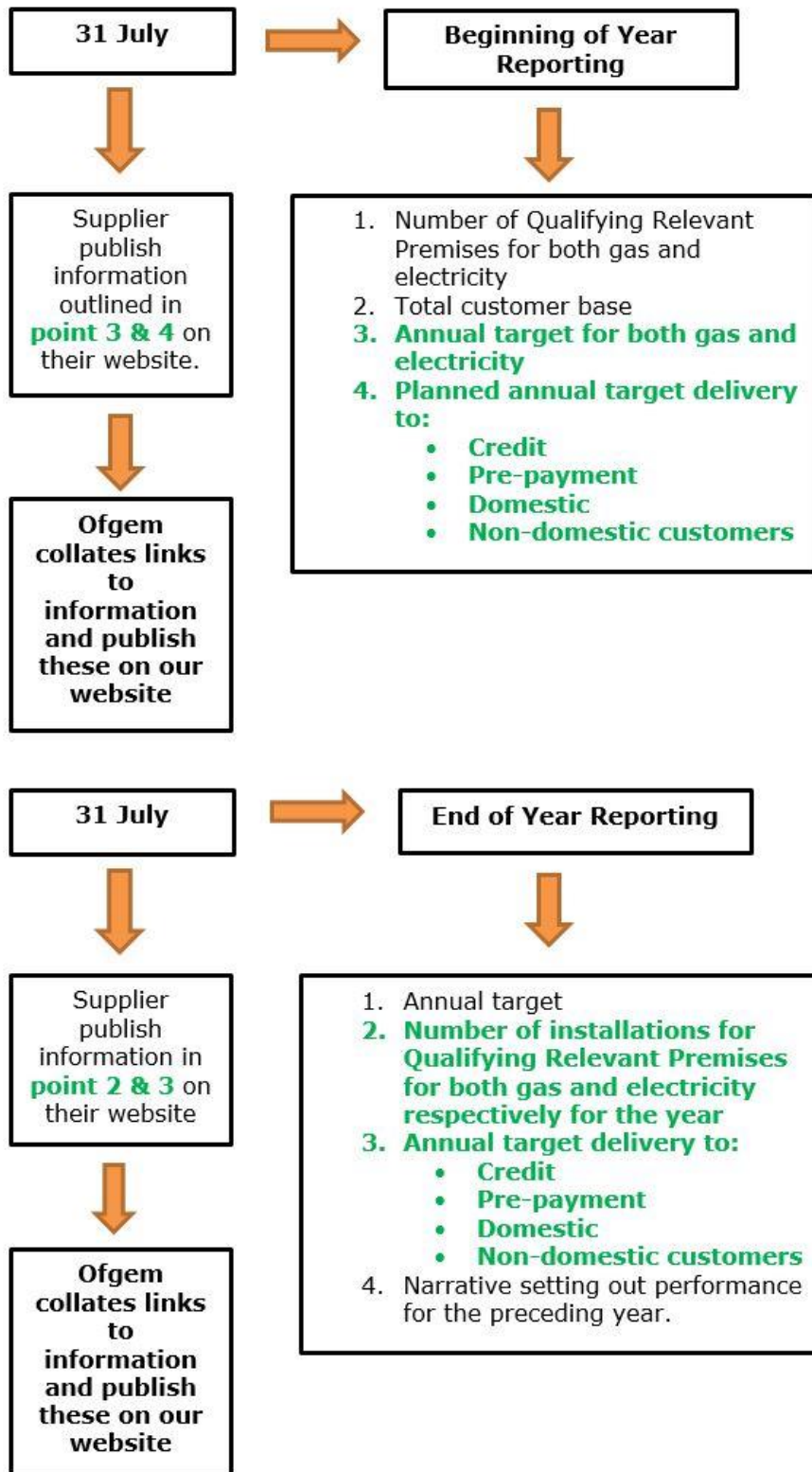
## Annex 1: Summary of decision

**Figure 1: Small Suppliers\* Reporting Requirements**



\* <150,000 gas and/or electricity accounts on the ARS specified date/the last day of the relevant rollout year (30 June).

**Figure 2: Large suppliers\* Reporting Requirements**



**\*>150,000 gas and/or electricity accounts on the ARS specified date/the last day of the relevant rollout year (30 June).**