



Department for
Business, Energy
& Industrial Strategy

SMART METER POLICY FRAMEWORK POST 2020 CONSULTATION

Annex 4: Analytical Evidence



OGL

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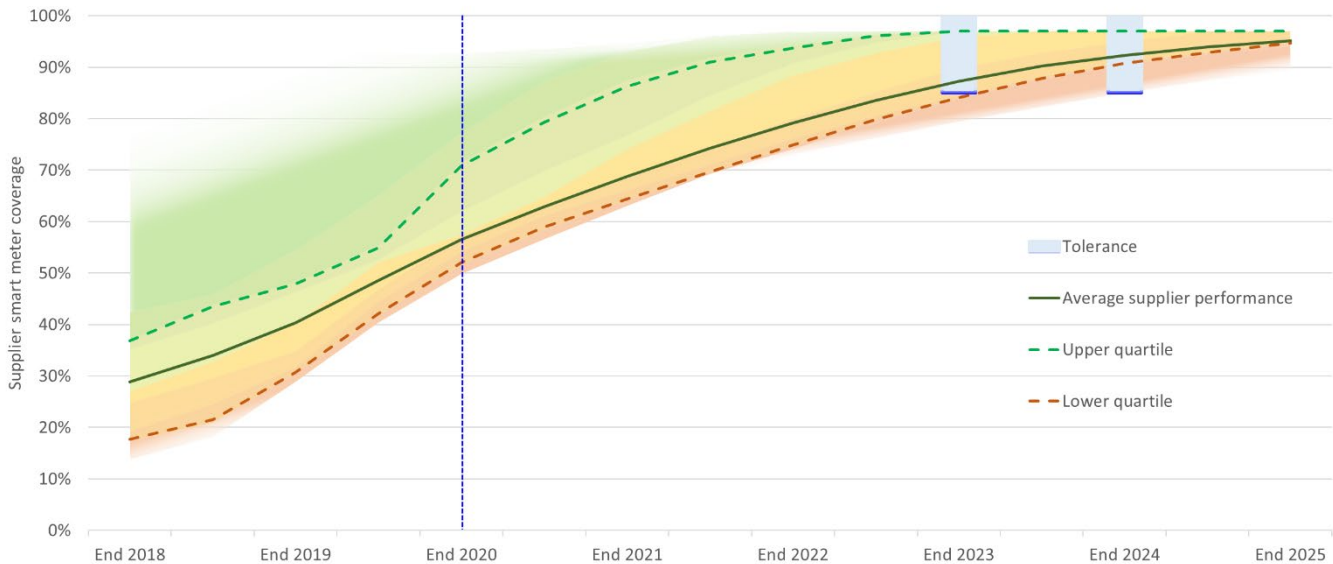
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Contents

Rollout Projections Post 2020	4
Tolerance Zones and Annual Milestones	6

Rollout Projections Post 2020

Graph 1: Range of energy supplier smart meter coverage projections



Notes:

- This chart shows the range of forecast overall smart meter coverage levels based on 13 large energy suppliers' rollout plans, submitted to Ofgem in 2019.
- As a starting point, we considered what coverage levels could be achieved if installation levels during 2019/20 were continued beyond the end of 2020.
- If these 2019/20 installation rates were maintained, overall market-wide coverage (averaged across all energy suppliers) would be delivered by mid-2023. Furthermore, market-wide coverage could be achieved by the end of 2024 even if energy suppliers are only able to maintain their installation rates equivalent to their lowest quarter from 2019/20.
- However, we recognise that there are legitimate factors that may influence energy suppliers' ability to maintain these rates. We have made general assumptions about a range of potential delivery challenges that may affect energy suppliers' ability to keep the same level of installations rates. These factors include:
 - i. The availability of technologies such as DBCH¹ and Alt-HAN² will open up smart metering eligibility to a broader spectrum of metering points. This should increase the potential number of installations that energy suppliers can make, subject to having sufficient installer numbers.
 - ii. As eligibility increases, installation point density will increase and thus installer efficiency (utilisation of time for installation rather than for travelling between locations) will increase. By contrast, as the rollout progresses further and fewer metering points remain, this efficiency will decrease and fewer installations will be possible.

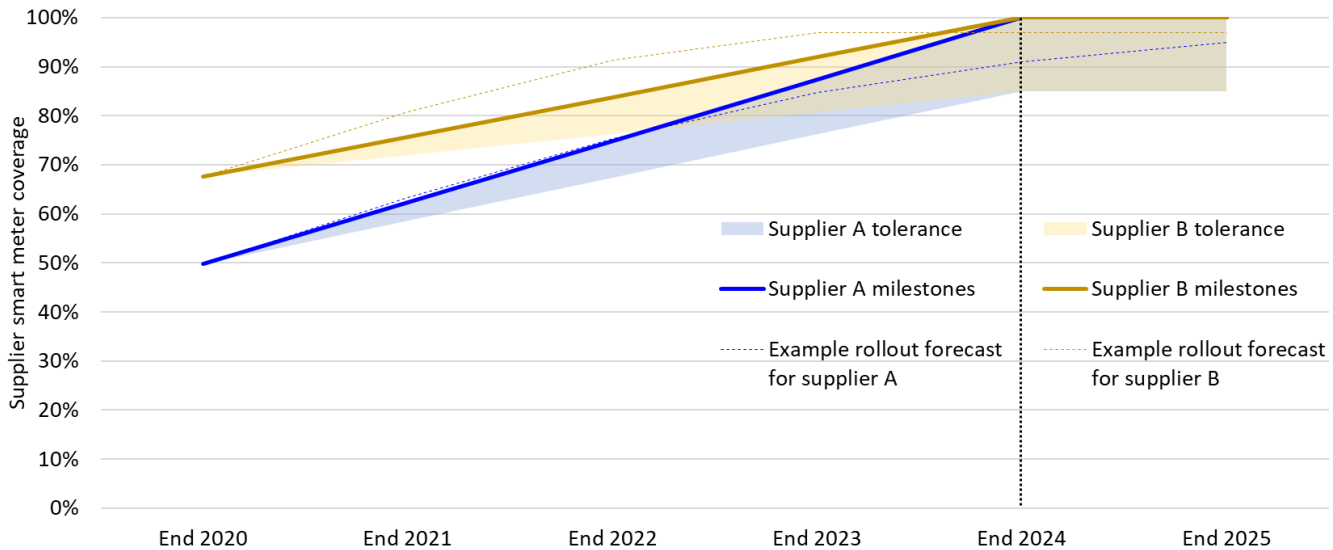
¹ Dual Band Communications Hub

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/486446/Annex_B3_-_Condition_55_Supply_Licence.pdf

- iii. Towards the later stages of the rollout, energy suppliers are likely to have to deal with more challenging premises and less enthusiastic customer bases. This is likely to negatively impact productivity and installer utilisation.
 - iv. It is unlikely to be economically viable for energy suppliers to maintain their current installer field force on an ongoing basis. Instead, installer numbers might be expected to remain static for only a short period, before beginning to decrease and thereby reducing feasible installation rates.
- When these factors are taken into account within our modelling, the overall rollout pace is expected to gradually decrease, as shown by the gradually decreasing slope in Graph 1 after 2020.
 - However, and despite the decrease in the rollout pace, six of the thirteen energy suppliers' projected rollout curves reach 97% coverage in advance of end-2024 (represented by green shading in Graph 1). All of the remaining seven energy suppliers' coverage levels reach market-wide levels (within a 15% tolerance) before the end of 2024 (shaded amber in Graph 1).
 - This shows that, according to our modelling, we expect that a minimum coverage of 85% is realistically achievable by the end of 2024.

Tolerance Zones and Annual Milestones

Graph 2: Illustration of bespoke milestones and tolerance zones for each supplier



Notes:

- Graph 2 illustrates how milestones and tolerance zones would be set individually for each supplier, supporting the straight-line delivery required to reach the minimum required coverage of 85% by end of 2024.
- Annual milestones will be dependent on each individual energy supplier’s progress and will follow a straight line from their individual starting coverage levels at the end of 2020 to the end of the monitoring framework period at the end of 2024 (and towards market wide coverage).
- A % tolerance is applied to each annual milestone, and this tolerance increases yearly around each energy supplier’s known coverage level at the end of 2020 up to the full 15% at the end of 2024 (shaping the tolerance zones shown in the graph).
- These tolerance levels will be calculated as a percentage of each energy supplier’s total number of eligible metering points at the end of each year in the monitoring framework period.
- The milestones for each energy supplier for the year ahead are assessed based on their numbers of metering points supplied on the 31st December in the previous year. They will be set in terms of the number of smart meters that the energy supplier is required to install in the year ahead. This means that energy suppliers will receive credit for smart meters that they have installed but which subsequently switch to other suppliers during the year.
- The milestone and tolerance profiles are thus set individually for each energy supplier. Each energy supplier’s installation numbers will then be judged against its own milestones and tolerance levels – see examples illustrated in the chart, showing milestones (solid lines), tolerance levels (shaded areas), and illustrative forecast rollout progress (dashed lines) for two hypothetical energy suppliers (A – blue and B – yellow).

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