Department for
Business, Energy
& Industrial Strategy

Delivering a Smart System

Response to a Consultation on Smart Meter Policy Framework Post-2020

June 2020

© Crown copyright 2020

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to us at:
smartmetering@beis.gov.uk

Contents

Executive Summary

1. Smart meters are a vital upgrade to our national energy infrastructure and underpin the cost-effective delivery of Government's net zero commitment. They are a critical tool in modernising the way we all use energy and support the transformation of the retail energy market, helping the system to work better for energy consumers. Millions of consumers across Great Britain are already benefitting from smart meters and the overwhelming majority are having a good experience.

2. Under the current smart meter regulatory framework, energy suppliers have an obligation to take "All Reasonable Steps" (ARS) to install smart meters in all homes and small businesses by the end of 2020. This has already delivered over 20 million smart meter installations and has laid a strong foundation for an enduring smart system. The smart meter rollout has driven significant investment and employment – with a field force of around 8,000 installers, and many thousands more jobs across the supply chain and national communications infrastructure providers. Completing the rollout of around 50 million gas and electricity smart meters will sustain significant employment opportunities in the years ahead and play an important part in a clean economic recovery.

3. In Autumn 2019, the Government consulted on the introduction of a new regulatory framework for energy suppliers beyond 2020, when the current ARS obligation comes to an end. BEIS received 60 responses to this consultation from a variety of stakeholders ranging from large energy suppliers and trade associations, to businesses in the supply chain, consumer groups and individuals with an interest in energy and consumer policy. Overall, the responses were supportive of a continuing obligation on energy suppliers to rollout smart meters beyond 2020. There were mixed views as to the form and design of such an obligation, including what it could achieve over the proposed four-year timeframe. There was widespread support for Government to introduce policy measures to support consumer uptake, and for Smart Energy GB to continue to coordinate consumer engagement on behalf of energy suppliers.

4. Over the past three months, COVID-19 has had a significant impact on the way energy suppliers operate. In line with Government and Ofgem guidance, energy suppliers are making the operational decisions that best protect their customers and workforce. From mid-March, energy suppliers have focused on essential and emergency metering work and supporting those in vulnerable circumstances in the communities they serve. The Government has been working with energy suppliers to re-mobilise the rollout of smart meters, further to guidance published on 11 May 2020 on working safely in people's homes during COVID-19. Government wants to provide certainty on the regulatory framework so that the rollout can regain its momentum as this remobilisation takes place.

5. The final policy decisions set out in this document reflect the responses to the consultation, as well as Government's wider strategic aims in meeting its net zero commitment and addressing the economic impact of COVID-19.

A short-term extension of All Reasonable Steps

6. Government has decided to extend the existing ARS obligation that was due to expire on 31 December 2020 by six months to 30 June 2021. This is to take account of the short-term uncertainty for energy suppliers during these unprecedented circumstances, and enable energy suppliers to return to installing smart meters at volume as COVID-19 restrictions ease.

Implementing a four-year framework

7. After the extension to the existing obligation, Government has decided to implement a four-year framework to reach market-wide coverage of smart meters. This new Framework will begin on the day after the existing obligation ends and will be applicable to all domestic and non-domestic energy suppliers in line with the existing obligation. Annual installation targets for each energy supplier will be set on a trajectory towards market-wide rollout subject to an annual tolerance level. Government expects to consult in autumn 2020 on the annual tolerance levels associated with the new Framework. Under the new Framework each energy supplier will be recognised for all the installations of smart meters that they achieve in any rollout year. Annual installation targets will then be reset at the start of the subsequent rollout year, again on a trajectory towards market-wide rollout. Further details on the design of the new Framework are given in the consultation response.

8. Government intends to review the tolerance levels once during the four-year framework period. This review is expected to take place during the second year of the new rollout framework such that its outcomes can be implemented ahead of the third and fourth rollout years.

9. Government has laid amending regulations in Parliament in line with the procedure under section 89 of the Energy Act 2008, including consequential changes to licence conditions as a result of changing the 31 December 2020 date.

Coordinating consumer engagement

10. Government has concluded that Smart Energy GB will continue as the body responsible for leading coordinated consumer engagement activities on behalf of energy suppliers during the smart meter rollout. Alongside this response, Government is publishing a further consultation on proposals to strengthen Smart Energy GB's governance framework, revise its funding model and update its objectives to support the next phase of the rollout.

Embedding consumer benefits

11. Government will continue to prioritise the realisation of consumer benefits from smart metering and support innovation which improves consumer experience. Any further policy changes will be informed by our ongoing monitoring of evidence of consumer experiences, including specifically vulnerable and prepayment consumers, and emerging innovations that use smart meter data.

Supporting consumer uptake through policy measures

12. Government is committed to supporting the consumer uptake of smart meters. We will work with Smart Energy GB and other partners to develop targeted and more tailored engagement with specific consumer groups, such as vulnerable consumers or those who are harder to reach. We intend to consult on strengthening the rights of tenants to request a smart meter and are working with relevant stakeholders to develop improved guidance to developers on making provision for smart metering equipment. We will also consider further actions to ensure the benefits of smart meters can by fully realised across Government policy on energy efficiency, electric vehicles, microgeneration, and the future of heating.

13. Government has also considered the strongly held views of some stakeholders that the new Framework is not achievable unless consumers' current rights to refuse smart meters are made more restrictive. Government considers consumer choice to be fundamental to successfully delivering the benefits of the smart meter rollout and we intend to retain it in the new Framework. We continue to believe that consumer support for the Smart Programme should be predicated on as much consumer discretion as possible, whilst recognising that it is better for all consumers to move as fast as possible to a smart energy system, with better service, lower cost, wider choice of smart tariffs, and propositions that support a cost effective transition to net zero.

14. A key aim of the Programme is ensuring that customers have full access to the wide range of benefits offered by smart meters. The quality of energy suppliers' customer journeys throughout the booking and installation process is of paramount importance to ensure consumers remain protected and derive maximum benefit in any future Framework. Forcing consumers to accept a smart meter may negatively affect the consumer journey and lead to these benefits not being realised. Government-led benchmarking with energy suppliers in 2019 on the maturity of their consumer engagement and operational fulfilment showed significant variability between their performance across the consumer journey. All energy suppliers can and should do more to remove friction from the consumer journey to drive the uptake of smart meters.

15. Government acknowledges that the choices faced by consumers are changing and will likely continue to change through the next phase of the rollout as smart meters are normalised as the default meter offer. For example, the cheapest tariffs in the market are often linked to having a smart meter, reflecting that consumers with smart meters cost less to serve. The manufacture of traditional meters is also ending as part of the global transition to smart metering.

16. On this basis, we will only consider removing consumer choice in very specific circumstances and where it is justified following consultation. For example, we intend to bring forward proposals to remove consumer choice where energy theft has taken place.

17. Once energy suppliers have made sustained progress in improving operational performance and delivering consistent consumer journeys, Government intends to consider other measures such as mandating smart meter installations for replacement connections where a meter reaches the end of its operational lifetime. We consider these actions will continue to normalise smart meters, support energy suppliers to achieve their obligations under the existing obligation and the new Framework, and deliver the benefits of the smart metering Programme.

Conclusion

The new regulatory framework means the rollout of smart meters will continue to improve the lives of energy consumers and deliver a good return for Great Britain.

With smart meters enabling consumers to better manage their energy use, and prepayment customers to top up from home, COVID-19 has shown how vital this national infrastructure upgrade is to the future of our energy system and our country.

As we emerge from the pandemic, innovative products and services that rely on smart metering, such as tariffs that reward consumers for using energy when cheap, renewable generation is available, will be more important than ever. Smart meters have a crucial role to play in our clean recovery, ensuring cost-effective progress towards our net zero commitment in the next five years and for generations to come.

Introduction

Policy context

18. Smart meters are a vital upgrade to our national energy infrastructure, providing the building blocks of a more flexible and resilient energy system fit for the 21st Century. They are a critical tool in modernising the way we all use energy and aiding the transformation of the retail energy market, so it works better for energy consumers. This will play a key role in decarbonising the energy sector, helping us to deliver on our long-term target of net zero greenhouse gas emissions by 2050. It will also help us deliver on our commitment to maximise the economic opportunity of both the domestic and global shift to clean growth. We are determined that the UK will play a leading role in providing the technologies, innovation, goods, and services that will be needed to underpin this transition. The 2019 cost-benefit analysis (CBA) published in September 2019 shows that the Programme will continue to deliver significant benefits for households and small businesses in Great Britain, with a total Net Present Value (NPV) of £6bn over the appraisal period.

19. The Smart Metering Implementation Programme ("the Programme") has driven significant investment and employment opportunities to date. For example, a significant field force within the energy sector of around 8,000 installers has been created, with many thousands more jobs across the supply chain and national communications infrastructure providers. On this basis, the Programme has been an important contributor to the national economy supporting around 15,000 jobs across Great Britain,[1] and over 99% of the funding coming from the private sector and annual investment running at c.£1bn. Completing the Programme will, therefore, sustain significant employment opportunities in the coming years. We recognise that the conditions created by COVID-19 have been difficult for energy suppliers. From mid-March, energy suppliers have focused on essential and emergency metering work, and supporting those in vulnerable circumstances in the communities they serve. The Government has been working with energy suppliers to re-mobilise the rollout of smart meters, further to guidance published on 11 May 2020 on working safely in people's homes during COVID-19. Without certainty about the Government's post-2020 policy, the rollout is at risk of losing momentum in early 2021. It is also important that we avoid a hiatus given the disruption caused by COVID-19. The right incentives for energy suppliers will be critical to drive billions of pounds of infrastructure investment during the post-COVID-19 recovery period.

20. Under the current smart meter regulatory framework, energy suppliers have an obligation to take "All Reasonable Steps" (ARS) to install smart meters in all domestic and small business premises by the end of 2020. As at the end of March 2020, there were 21.5 million smart and advanced meters in homes and small businesses across Great Britain,[2] setting a strong foundation for an enduring smart system and helping to spur innovation, while allowing consumers to take control of their energy consumption.

21. Smart meters are enabling energy suppliers to offer new products and services, including smart tariffs that allow consumers to save money by using energy away from

[1] Information collected through industry data sources.
[2] https://www.gov.uk/government/statistics/smart-meters-in-great-britain-quarterly-update-march-2020

peak times or when cheap, renewable generation is available. For example, some customers have even been paid to use electricity during windy days when there was excess clean energy in the system. The Smart Systems and Flexibility Plan,[3] published jointly by Government and Ofgem in 2017 (and Progress Update in 2018), which set out a number of actions that we are taking to enable smart homes.

22. Progress on the delivery of the Programme has been achieved through cross-industry effort and investment by energy suppliers, their supply chains, third-party service providers, and in particular the installer workforces. Supported by the work of Smart Energy GB, 95% of people across Great Britain are now aware of smart meters.[4]

23. Second generation (SMETS2) smart meter installations continue to ramp up with daily installations of 18,000-19,000 (prior to COVID-19 disruption). As at end of March 2020, a total of over 4.3 million[5] domestic SMETS2 smart meters were connected to the national smart metering communications network run by the Data Communications Company (DCC). Migration of first generation (SMETS1) meters into the national infrastructure began in 2019 and will continue, allowing energy suppliers to restore smart services to those customers who have lost them and enable them to retain services upon change of supplier. SMETS2 meters are now regarded as the default meter in the majority of smart meter installations, supporting meter interoperability, which is key to the realisation of consumer and energy system benefits.

24. Smart meters offer a better consumer experience than traditional meters. The provision of In-Home Displays (IHD) as part of the installation process gives customers with smart meters accurate, accessible, and near real-time consumption and price information. This enables them to make changes to their energy use and save money on bills. Customers who agree to have smart meters installed can also now access some of the cheapest tariffs on the market, reflecting the fact that consumers with smart meters are costing energy suppliers less to serve. COVID-19 has brought the consumer benefits for millions of households with smart meters into sharp focus, particularly for prepayment customers who can track and top-up credit without leaving home. Energy suppliers can also see when prepayment customers have gone off supply, allowing them to offer timely support, and switch meters into credit mode remotely if necessary. Given the obvious benefits and improvement in customer experience, we will continue to work with energy suppliers and consumer groups to accelerate, where possible, the rollout of smart meters to pre-payment customers.

25. Consumers who may be more vulnerable can benefit from smart meters in several ways. Where available, low credit and high consumption alerts can be shown on the IHD, which can also be used to activate emergency credit. Smart meters are also providing energy suppliers with opportunities to offer support to consumers who may be in more challenging financial situations or prone to self-disconnection. Where appropriate, data from smart meters may also help energy suppliers to identify customers who could benefit from targeted support, enabling earlier intervention to engage the customer and reduce the risk of debt build-up or repeated self-disconnection.

[3] https://www.gov.uk/government/publications/upgrading-our-energy-system-smart-systems-and-flexibility-plan
[4] https://www.smartenergygb.org/en/-/media/SmartEnergy/essential-documents/essential-documents/english/Outlook-March-2020.ashx
[5] https://www.gov.uk/government/collections/smart-meters-statistics

26. Millions of energy consumers are already benefitting from smart meters[6] which is testament to the hard work, skills, and dedication of all the organisations involved in delivering the rollout. Research suggests that the overwhelming majority of consumers are having a good experience:

- 80% of people with smart meters say they have a better idea of their energy costs[7];
- 88% of prepayment customers with smart meters say that topping up has become easier since getting their smart meter;[8] and
- 9 in 10 people were satisfied with their smart meter installation.[9]

27. However, we recognise that without regulatory certainty beyond 2020, the rollout is at risk of losing momentum in early 2021, with consequential impacts on ambitions for a smart energy system and the delivery of wider infrastructure and environmental benefits.

A Market-Wide Rollout

28. By the end of the rollout, the Programme aims to upgrade around 50 million gas and electricity meters in homes and small businesses. With consumers at the heart of Great Britain's rollout, the emphasis throughout has been to take the time necessary to ensure thorough testing of systems and equipment so that consumers have a positive experience from the outset.

29. Over the duration of the Programme to date, the energy retail market has been dynamic and continues to change rapidly, with new energy suppliers emerging and more choice for consumers. The smart meter rollout therefore needs a regulatory framework beyond 2020 that is adapted to these evolving market conditions, while at the same time continuing to deliver a positive consumer experience. The Government has already implemented measures to normalise smart metering as the default meter offer in Great Britain with the mandate on all energy suppliers to become DCC Users[10], which is a key tool to deliver interoperability across the sector, and the activation of the New and Replacement Obligation (NRO) in June 2019.[11]

30. We are making substantial progress. During 2019, 4.5 million meters were installed, and this continued into the first months of 2020 with a weekly average in excess of 95,000 installations. We are working closely with energy suppliers and Ofgem to remobilise smart meter installations in line with public health advice, and support and expedite energy supplier preparations for scaling operations back up. We want to ensure that the rollout continues with this positive momentum after the end of 2020 when the current regulatory framework ends. This is even more important in light of the impact of COVID-19.

31. On 16 September 2019, the Government consulted[12] on the introduction of a new regulatory framework for energy suppliers, building on the 2020 commitment whilst

[6] https://www.smartenergygb.org/en/-/media/SmartEnergy/essential-documents/essential-documents/english/Outlook-March-2020.ashx
[7] Smart Energy GB, Smart Energy Outlook: September 2019.
[8] BEIS, Smart Meter Customer Experience Study 2017.
[9] ibid
[10] SEC section H1.11. All domestic suppliers are subject to the requirement to become a DCC User by 25 November 2017. Non-domestic premises were required to become DCC Users by 31 August 2018
[11] https://smartenergycodecompany.co.uk/latest-news/government-response-to-january-2019-consultation-on-the-new-and-replacement-obligation-nro-activation-date/
[12] https://www.gov.uk/government/consultations/smart-meter-policy-framework-post-2020

driving the ambition to complete the smart meter rollout as soon as practicable. The proposed market-wide obligation was based on the following design principles:

- To encourage consumers to benefit from the rollout of smart meters, including the data from their smart meters;
- To deliver a market-wide rollout of smart meters as soon as practicable, in a way that ensures value for money, and maintains installation quality so that consumers have a good experience;
- To normalise smart meters so they are the default meter used in Great Britain; and
- To give certainty to the whole sector to invest and plan, ahead of and beyond 2020.

Consultation events

32. BEIS conducted 20 engagement events during October and November 2019 to support this consultation. These events included meetings and workshops with suppliers, energy supply chain companies and consumer groups.

33. All these events were designed to help attendees explore and understand the implications of the consultation proposals whilst helping Government to obtain feedback from industry on the proposals, and to support participants in developing their own responses to the consultation.

34. Whilst the feedback received during the events complemented the consultation, any comments received were not taken as formal responses and therefore have not been treated as such. All the attendees at these meetings and workshops were encouraged to submit formal responses to the consultation. However, in the development of policy thinking, the Government has also considered and reflected on key themes discussed at these events and these are reflected in the final response set out in this document. A summary of post publication consultation engagement events that took place is provided in Table 1 below.

Table 1: Post publication engagement

Date	Company Name	Organisation Type
19/09/2019	Electricity North West	Distribution Network Operator (DNO)
20/09/2019	Foresight Metering Ltd	Meter Asset Provider (MAP)
24/09/2019	Energy UK	Trade Body (Energy Suppliers)
24/09/2019	Chameleon Technology	Other Private Sector
25/09/2019	Calvin Capital Ltd	Meter Asset Providers (MAPs)
27/09/2019	National Skills Academy for Power (NSAP)	Meter Operators (MOP) training/accreditation
01/10/2019	Energy Networks Association (ENA)	Distribution Network Operators (DNO)
01/10/2019	EUK & Energy Suppliers	Energy Suppliers
02/10/2019	Smart Energy GB	Delivery Partner
03/10/2019	Community of Meter Asset Providers (CMAP)	MAPs
08/10/2019	Industrial and Commercial Shippers and Suppliers (ICOSS)	Trade Body (Non-Domestic Energy Suppliers)
16/10/2019	Citizens Advice	Consumer Group
17/10/2019	Drax (Opus and Haven)	Energy Supplier
23/10/2019	British Gas	Energy Supplier
29/10/2019	E.ON	Energy Supplier
29/10/2019	National Energy Action	Consumer Group
30/10/2019	OVO	Energy Supplier
23/10/2019	Stark	Other Private Sector
06/11/2019	EDF	Energy Supplier

Consultation Responses

36. The consultation closed on 11 November 2019. There were 60 responses to the consultation in total. Respondents were broken down into 9 categories: Energy Supplier; Trade Body; Individuals; DNOs; Academia and the Third Sector; Delivery Partner; MOPs/MAPs; Consumer Group; and Other. A list of respondents can be found in Annex A. Table 2 below shows a summary of respondents by organisation type.

Table 2: Summary of respondents by organisation type

Organisation Type	Number of Respondents	Percentage of Total (rounded up)
Energy Supplier	20	33%
Trade Body	7	12%
Distribution Network Operator (DNOs) / Gas Distribution Networks (GDNs)	4	7%
Consumer Group	4	7%
Meter Operators (MOPs) and Map Asset Providers (MAPs)	4	7%
Academia / Third Sector	1	2%
Delivery partner	3	5%
Other	11	18%
Individual (member of the public)	6	10%
Total	60	100%

37. In the following sections, we set out a high-level summary of these consultation responses and the UK Government's response to these. Section 1 covers Questions 1-12 and Section 2 covers questions 15-17. Questions 13-14 related to proposed amendments to the DCC charging methodology and were originally included as part of Section 2 of the consultation. The Government published its conclusions on these proposals in March 2020[13] and they are therefore not discussed further in this document.

38. Summaries of the responses received as part of the consultation process have been included for each individual question. The Government response to the following questions are discussed together:

- Questions 2, 3 and 6; and
- Questions 4 and 5

39. In this document:

- "the Government" refers to the UK Government;
- "we" refers to the UK Government;

[13] See: https://smartenergycodecompany.co.uk/latest-news/beis-government-response-to-consultation-on-code-and-licence-changes/

- “BEIS” or “the Department” refer to the Department for Business, Energy and Industrial Strategy, that has published the response to the consultation on behalf of the UK Government.
- “the Programme” refers to the Smart Metering Implementation Programme, which will include the Department’s Smart Meter Team and the wider group of partners and stakeholders responsible for delivering the rollout.

- “the existing all reasonable steps (ARS) obligation” or “the existing obligation” refers to the legal obligation on energy suppliers to take “all reasonable steps” (ARS) to install smart meters. This obligation initially required installations to take place by the end of 2019 and, in 2013, it was extended to the end of 2020 (“the 2020 rollout duty”).

- “the new Policy Framework”, “the new Framework”, “the new obligation” and “the post-2020 obligation” refer to the smart meter obligation which will be implemented and is intended to take effect following the expiration of the “all reasonable steps (ARS)[14] obligation” including any extension.

- “the regulator” refers to Ofgem, the Government regulator for gas and electricity markets in Great Britain.

- “COVID-19”, or “COVID” refers to the “coronavirus (COVID-19) pandemic”

[14] Electricity Supply Licence SLC 39 and Gas Supply Licence SLC 33

A Post-2020 Framework Proposal

40. This section summarises and addresses the responses received in relation to Questions 1-12 as set out in the consultation document published on 16 September 2019.

QUESTIONS	
POST-2020 FRAMEWORK PROPOSAL	
Q1	Do you agree that there is a need for an overarching obligation for energy suppliers to continue the rollout of smart meters, in addition to the New and Replacement Obligation (NRO)? Please give reasons for your answer.
Q2	Do you agree with our conclusion that extending the existing "ARS" obligation would not deliver market-wide rollout in a timely manner consistent with wider Government objectives, in particular the long-term ambition of net zero greenhouse gas emissions by 2050? Please give reasons for your answer.
Q3	The obligation proposes a monitoring framework with binding pre-set annual milestones for four years (from 2021 to 2024). Do you agree with this time period? If not, we would welcome your views on alternative time periods. Please provide evidence to support your answer.
Q4	Do you agree with our assessment that an 85% minimum coverage at the end of the framework period is achievable? Please provide evidence to support your answer.
Q5	Do you agree with the application of permitted tolerance in stages, growing in a straight line to the final year of the monitoring framework? We would welcome your views on alternative methods to apply tolerance around the annual milestones. Please support your answer with relevant information.
Q6	Do you agree that pre-defined annual milestones will facilitate the progress towards rollout completion? Please give reasons for your answer.
Q7	Do you agree with the proposal that "customer churn" – arising from consumers switching energy suppliers- should be accounted in energy suppliers' pre-set annual milestones? Please give reasons for your answer.
Q8	Do you agree with the proposal that any post-2020 obligation should be applied to all energy suppliers regardless of size and date of entry into the market? Please give reasons for your answer.

Q9	Do you agree with the proposal of a mid-point review to revisit tolerance levels within the monitoring framework period in line with market conditions? a. If the answer is yes, when do you think will be the best time for this review? b. If the answer is no, please explain why not.
LEGAL TEXT	
Q10	Do you agree that the legal drafting in Annex 1 implements the policy intention proposed in this consultation? Please give reasons for your answer.
Q11	Do you agree with the legal drafting in Annex 2 in relation to the post-2020 reporting requirements on rollout information to be provided to the Secretary of State? Please give reasons for your answer.
Q12	Do you agree with the legal drafting in Annex 6 setting out proposed consequential changes to existing licence conditions as a result of the previous amendments? Please give reasons for your answer.

Question 1

Do you agree that there is a need for an overarching obligation for energy suppliers to continue the rollout of smart meters, in addition to the New and Replacement Obligation (NRO)? Please give reasons for your answer.

Summary of responses to Question 1

A summary of responses is provided in the table below.

Agree	Agree with caveats	Neutral	Disagree with caveats	Disagree	No response	TOTAL
27	19	0	2	5	7	60

41. A majority of respondents to this question either agreed or agreed with caveats that there should be an overarching obligation for energy suppliers to continue the rollout of smart meters beyond 2020, in addition to the NRO. This includes most energy suppliers.

42. The main reasons given by those who agreed with the proposition were that it would maintain the momentum of the rollout Programme (whereas relying on the NRO alone would not deliver a timely conclusion to the Programme); and it would help ensure the consumer and energy system benefits of smart metering, in particular those relating to the Government's net zero goal, and the move to a smart, flexible energy system, are delivered.

43. Several respondents who agreed also noted that an overarching obligation is necessary as it would help ensure that less engaged and vulnerable consumers could benefit from smart meters in a timely manner. One of these respondents flagged that some groups of consumers will require targeted help and support to get smart meters installed, whereas relying solely on the NRO would not give these consumers the support they need.

44. Some respondents who agreed noted that an overarching obligation would provide clarity and certainty to help energy suppliers develop their own plans for rolling out smart meters. On a related point, a number of respondents who agreed felt that an overarching obligation would be beneficial to other market participants, by giving greater certainty for stakeholders such as manufacturers and installation service providers.

45. Several respondents who agreed with caveats, strongly opposed a hard obligation on suppliers to install without an associated new obligation on consumers to accept a smart meter, as opposed to the current non-mandatory position. Some suggested that such an obligation could be introduced later in the rollout, but that this would need to be clearly signalled by the Government.

46. Some respondents considered that it was premature to move away from the current ARS obligation approach, particularly in the context of what they saw as relatively low

consumer appetite for smart meters. A number of respondents felt that there was more Government could do to align smart metering and other energy related policy measures, in order to increase consumers' awareness of smart metering and help address the lack of engagement with their energy suppliers.

47. Two respondents considered that specific lessons from the rollout to date should be taken into account in designing any new Framework, with one respondent specifically referring to the challenge of persuading consumers who have so far resisted smart meters to accept them in future.

48. Respondents who disagreed with the proposals with caveats made the following points:

- One respondent considered a better approach would be to ensure smart meters are installed at the end of a traditional meter's life. They acknowledged that this would mean it would take longer to achieve market penetration, but considered it would be better from a consumer perspective as it would remove behaviours that do not put the consumer first (for example, what they described as aggressive practices by some energy suppliers to their meet installation targets); and

- The other respondent agreed that an overarching obligation is needed alongside the NRO but did not consider the proposed approach was justified or workable. In particular, they thought that the Government has not justified the move away from the ARS obligation approach or shown how 85% penetration is achievable in the context of weak consumer demand. They also did not consider that the impact of the default tariff cap had been accounted for in underlying assumptions.

49. One respondent who disagreed with the proposals considered that:

- Any post-2020 framework should:

  - Recognise that successful delivery of the Programme requires co-ordinated effort from a range of stakeholders, not just energy suppliers; and

  - Be accompanied by additional policy measures, in particular those which address the challenges of consumer engagement in light of the current voluntary nature of the Programme.

- An overarching obligation on energy suppliers would be unlikely to be in consumers' best interests as it could lead to poor customer experience and excessive costs, as suppliers seek to mitigate the regulatory risks they would be exposed to.

50. Points made by other respondents who disagreed with the proposals included the following:

- Further analysis of whether the benefits of smart meters are being realised is needed prior to determining whether the Programme should be continued, modified or stopped; and

- Not all consumers will want a smart meter which means that it is better not to attempt a 'hard sell' as this could be counter-productive.

Government response to Question 1

51. Overall, there was broad support from respondents for an ongoing obligation on energy suppliers to continue the smart meter rollout when the current obligations expire at the end of 2020, however views on our specific proposal were mixed.

52. In the responses, there was also recognition of the importance of smart meters in the delivery of energy system benefits and as fundamental enablers of energy decarbonisation, helping us to deliver our long-term target of net zero greenhouse gas emissions by 2050.

53. Indeed, millions of households and small businesses are already benefitting from smart meters, putting them in control of their energy use and helping them reduce their bills, whilst supporting the transition to a more flexible and efficient energy system. Without the flexibility enabled by smart meters, modelling for the Committee on Climate Change estimates the costs of delivering net zero emissions by 2050 could be up to £16 billion higher each year.[15]

54. Most respondents agreed that an overarching obligation on energy suppliers to continue to rollout smart meters is necessary to provide them, and the supply chain in general, with clarity and certainty to inform their operational planning going forward. We agree that this will maintain the momentum of the rollout and ensure a timely conclusion of the Programme and the realisation of consumer benefits.

55. The respondents who agreed that an overarching obligation is needed but did not agree with our proposal argued that it was premature to move away from the current ARS approach. They cited the need for continuing regulatory flexibility, particularly in the context of what they viewed as relatively low consumer appetite for smart meters. They also called for further coordination within Government to align smart metering with other policy measures and increase consumers' awareness. Both issues have been addressed elsewhere in this document. Please see responses to Question 2, 3 and 6 (pages 22 to 37) and Question 17 (pages 78 to 92).

56. In response to the specific suggestion that further analysis of the realisation of benefits would be required before determining whether the Programme should be continued (and if so, in what form), we would refer to the latest Programme Cost Benefit Analysis[16] which was published in September 2019 alongside the consultation. This showed that after all costs, the smart meter rollout is set to deliver a £6 billion net benefit to the country and so remains a good investment for Great Britain.

57. Among the respondents disagreeing with our proposal of an overarching obligation, three raised various other concerns related to the potential impact on consumers, including potential pressure from energy suppliers to accept smart meters thus damaging the consumer journey.

58. In answer to these concerns, the Government would like to emphasise that consumers have always been at the heart of the smart meter rollout and continue to be so. Our focus throughout the Programme has been to take the time necessary to ensure thorough testing of systems and equipment so that consumers have a positive experience from the outset. The Programme has put in place measures designed to

[15] https://www.theccc.org.uk/wp-content/uploads/2019/05/Net-Zero-Technical-report-CCC.pdf
[16] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/831716/smart-meter-roll-out-cost-benefit-analysis-2019.pdf

ensure that consumer interests are fully protected. These measures include a Smart Meter Installation Code of Practice (SMICOP) covering the necessary steps required before, during and after smart meter installations; and a Data Access and Privacy Framework[17], which sets out the purposes for which energy consumption data can be collected and the choices that consumers have about access to their data. These provisions will continue under our proposed new framework. We also continue to proactively monitor consumer protection policy, to ensure appropriate safeguards are in place, including for vulnerable and prepayment consumers.

Conclusion

After the expiration of the ARS obligation framework, and without the introduction of a new Framework, the NRO will be the only ongoing obligation in place. This would mean that energy suppliers will only be required to install smart meters at new metering points and for meter replacements at end of meter life (subject to "all reasonable steps"). Any additional installations beyond this minimum would be optional, meaning that we could not be confident that the overall momentum of the rollout will be maintained beyond the end of 2020. This would lead to a substantial slowdown in the current smart meter installation rate and spread the remaining transformation of the energy metering infrastructure over 20 years.

It is the Government's view that solely relying on the NRO would be insufficient to deliver a market-wide rollout in a timely way. Therefore, the Government concludes that without the certainty of an obligation that supplements the NRO, the rollout would be at risk of stalling in early 2021. This would significantly delay the point at which a market-wide smart meter rollout is reached, putting at risk the delivery of the Government's net zero commitments, and the benefits of a smarter energy system to industry, society, and consumers.

[17] https://www.gov.uk/government/publications/smart-metering-implementation-Programme-review-of-the-data-access-and-privacy-framework

Question 2

Do you agree with our conclusion that extending the existing 'ARS' obligation would not deliver market-wide rollout in a timely manner consistent with wider Government objectives, in particular the long-term ambition of net zero greenhouse gas emissions by 2050? Please give reasons for your answer.

Summary of responses to Question 2

A summary of responses is provided in the table below.

Agree	Agree with caveats	Neutral	Disagree with caveats	Disagree	No response	TOTAL
22	7	2	4	10	15	60

59. A majority of respondents agreed that the existing ARS obligation would not deliver a market-wide rollout in a timely manner consistent with other Government objectives, and especially to meet net zero targets. Many respondents welcomed the certainty that targets would bring for industry and other partners delivering the rollout and considered that specific annual targets are a better way to drive progress. Several respondents noted that the arguable ambiguity of ARS risked inconsistent interpretations of obligations across market participants. Those that caveated their agreements suggested additional policy levers were needed and that pragmatism through a 'reasonableness test' should be incorporated in the design of the new obligation. For instance, in the context of setting annual installations targets these should be clear, binding and deliverable.

60. However, around a third of respondents disagreed, including most energy suppliers with several arguing that an ARS obligation remains appropriate for the next phase of the rollout. Many of these also suggested that policy measures to support consumer uptake should be introduced immediately.

61. Respondents raised a number of concerns including:

- That Government had not considered alternative approaches and had provided insufficient evidence to justify the assumption that extending ARS would not achieve a market-wide rollout;
- That remaining technical barriers to installations would not be resolved before the implementation of a new Framework, requiring the Government to exercise a degree of pragmatism. There were a wide range of opinions as to how quickly these barriers would be addressed;
- Their view that consumer acceptance remains the key barrier to reaching market-wide rollout rather than the format of the obligation. Several respondents cited

Smart Energy GB research[18] indicating that only 32% of consumers would accept a smart meter in the next six months. Some argued that if ARS were removed for energy suppliers, then Government should also remove the current choice of accepting a smart meter from consumers;

- That a change in approach would lead to energy suppliers incurring unreasonable costs. Energy suppliers raised concerns that these would not be covered in the default tariff cap;

- That consumer experience could be damaged if ARS were removed because it could lead to consumers being unclear about whether they have the option to accept installations or energy suppliers might resort to aggressive tactics, both of which could reduce trust with consumers; and

- That setting annual installation targets discriminates against energy suppliers in several ways. For example those that invested more resources at the early stages of the rollout now have a higher proportion of harder to reach customers; smaller energy suppliers would face an unjust burden; and/or those that serve exclusively non-domestic consumers face different challenges and are at an earlier phase in the rollout compared to the domestic market.

Government response to Question 2

62. This question has been addressed alongside Questions 3 and 6. Please see response in pages 27 to 36.

[18] Smart Energy GB, Smart Energy Outlook September 2019

Question 3

The obligation proposes a monitoring framework with binding pre-set annual milestones for four years. Do you agree with this time period? If not, we would welcome your views on alternative time periods. Please provide evidence to support your answer.

Summary of responses to Question 3

A summary of responses is provided in the table below.

Agree	Agree with caveats	Neutral	Disagree with caveats	Disagree	No response	TOTAL
20	12	0	7	12	9	60

63. A majority of respondents agreed that the proposed four-year monitoring framework with annual milestones was an appropriate time period. They suggested that such a framework would provide clarity to industry, support planning and encourage collaboration to tackle more 'difficult installations' which may have been deferred to later in the rollout. Those who caveated their agreement noted that the milestones need to be achievable and expressed concern that the proposed annual installation targets were too challenging. Respondents also noted that the framework should be flexible, for instance so that it could be extended by a further period if necessary or to take account of events outside energy suppliers' control. There was concern among some consumer group representatives that the proposed annual milestones could potentially create a poor customer experience due to pressure to accept a smart meter being exerted on consumers by their energy supplier.

64. Those who did not agree with the proposal, which included most energy supplier respondents, argued that the end point of end-2024 is not achievable. Some did acknowledge the benefits of annual assessments towards increasing the level of smart meter coverage overall. Their concerns included:

- That the resolution of outstanding technical constraints would not be complete by the end of 2020;
- That binding targets would be ineffective at changing consumer attitudes, which they viewed as the key barrier to market-wide rollout; and
- That the proposal represented a more significant change in the compliance framework for small and non-domestic energy suppliers, which would be difficult to meet. This could be exacerbated for non-domestic consumers with large, complicated customer portfolios where time lags can occur between agreeing that installations can take place and the installations happening due to operational reasons. If this installation journey were to span across delivery years, it may result in energy suppliers being unfairly penalised.

65. A trade body representing energy suppliers supplemented their response with an independent report based on energy suppliers' installation Programmes. This analysis was based on the current trends in installation rates and suggested that industry could achieve 56% - 68% coverage by end-2024 rather than the 85% assumed in the consultation analysis.

66. A few respondents said that a longer timescale than 2024 is needed to achieve market-wide rollout of smart meters. In contrast, two respondents argued the monitoring framework should be shorter, for instance a three-year period instead, to prevent costs increasing.

Government response to Question 3

67. This question has been considered alongside Questions 2 and 6. Please see response in pages 27 to 36.

Question 6

Do you agree that pre-defined annual milestones will facilitate the progress towards rollout completion? Please give reasons for your answer.

Summary of responses to Question 6

A summary of responses is provided in the table below.

Agree	Agree with caveats	Neutral	Disagree with caveats	Disagree	No response	TOTAL
18	6	1	2	14	19	60

68. Most respondents who answered this question agreed that pre-defined annual milestones will facilitate progress towards rollout completion. Many noted the importance of milestones in maintaining momentum, providing certainty to the supply chain, identifying and implementing best practice and facilitating lessons learned. Respondents also said this provides strong signals to investors in the provision of products and services connected to smart meters. Those that caveated their agreement stated that milestones needed to be realistic. A distribution network company respondent suggested that milestones be aggregated at individual DNO level to ensure sufficient capacity is available to support installations in the relevant area.

69. A number of respondents, including most energy suppliers, did not agree with the proposals. They disagreed with the principle of annual milestones that measure progress towards an outcome that they consider to be unachievable, particularly on a straight-line trajectory. Instead, many of these respondents suggested a continuation of the existing ARS framework, within which they argued energy suppliers are already required to maximise their efforts. Some stated that the proposed framework would not encourage more installations because it does not address the significant engagement challenges faced by energy suppliers. Others argued that the increasing number of consumers switching energy suppliers could make achieving such milestones difficult.

70. Some respondents suggested that the proposed framework would lead to unintended consequences that would be detrimental to consumers and distort competition. For instance, this may be the case if suppliers with higher costs of compliance under the new regime are unable to recover their costs, particularly where customers are subject to the default tariff cap. Another example given was that annual milestones could be more difficult for certain energy suppliers due to specific circumstances and challenges, including the variation in current smart meter coverage levels.

71. Some of the non-domestic respondents suggested that if the proposals were implemented, then Government should revise its policy position to allow all non-domestic businesses, including microbusinesses, to be offered a choice between a SMETS meter and an advanced meter.

72. However, some respondents who disagreed with the proposals did acknowledge there were benefits to milestones compared to the existing ARS obligation. For example, energy suppliers are not currently recognised for their installation achievements if a consumer subsequently switches energy supplier, causing additional complexity when measuring smart meter coverage within their portfolio. Others stated that they would be more supportive if Government were to deploy more assertive consumer policies alongside the proposed framework.

Government response to Questions 2, 3 and 6

73. The Government has considered the responses to Questions 2, 3 and 6 jointly, as well as the more recent impact of COVID-19 to inform the design of a future framework for the continued rollout of smart meters. As noted in the response to Question 1, there was broad support for ongoing obligations to be placed on energy suppliers, but mixed views as to the form these obligations should take.

74. COVID-19 has had an immediate impact on the smart meter rollout. Until early March 2020, around 19,000 smart meter installations were taking place each day. However, once COVID-19 related public health constraints were implemented, Government worked quickly with Ofgem and the sector to provide regulatory flexibility, enabling energy suppliers to focus on essential activity. Smart meter installations dropped significantly to an average of around 500 per day as energy suppliers largely limited their activity to that deemed essential such as emergency meter replacements or installing smart pre-payment where this was in the consumer's interest. Some reported installation activity also reflected remote commissioning of SMETS2 meters previously installed. The Government has been working with energy suppliers to re-mobilise the roll-out of smart meters, further to guidance published on 11 May 2020 on working safely in people's homes during COVID-19.

75. Given these unprecedented circumstances arising from COVID-19, Government intends to temporarily extend the existing rollout obligations (standard conditions 33 and 39 of gas and electricity supply licences respectively) by six months to 30 June 2021. This flexibility is intended to support energy suppliers and their supply chains to return to their previous installation levels, which they can build on to drive forward the rollout while taking into account potential additional challenges arising from COVID-19.

76. It remains the Government's objective to reach a market-wide rollout of smart meters as soon as practicable. Therefore, following the temporary extension of the existing ARS obligation, Government intends to implement a four-year policy framework with annual installation targets for energy suppliers. The rationale for these decisions is set out below, together with a consideration of respondents' concerns.

77. A key part of implementing the new Framework will be setting a clear and realistic trajectory for energy suppliers, enabling them to meet the minimum required coverage in each year of the framework. As discussed in the response to Questions 4 and 5, we expect to consult on the tolerance levels and associated minimum coverage level for the new Framework in autumn 2020.

Extending ARS

79. Most respondents to Question 2 agreed that an ARS measure would not deliver a market-wide rollout in time to support the Government's net zero commitments and risked delaying the realisation of smart metering benefits. However, most energy suppliers raised concerns that Government had not fully considered the alternative option of extending ARS on the same timeframe as the proposed obligation to 2024. In their view, ARS remains a proportionate approach given that energy suppliers are not accountable for the actions or inactions of consumers, and that flexibility remains necessary as all technical issues have not yet been resolved.

80. We recognise that the ARS nature of the 2020 rollout duty obligation has enabled the rollout to progress as technology solutions were designed, developed, and then delivered, and that it accommodated energy suppliers' different starting points and levels of maturity. This regulatory flexibility has enabled energy suppliers to progress at different rates. In practice, this has meant that a small number of larger energy suppliers arguably have shown more leadership and shouldered more of the burden in technically proving the SMETS2 service and the national communications infrastructure than others, although the large energy suppliers are now at a more even level of maturity.

81. Whilst the regulatory flexibility offered by ARS was appropriate in the initial rollout period, it also presented challenges for consumer engagement. Differing levels of energy supplier maturity created inconsistencies in terms of customer eligibility and the availability of smart meters. Annual installation targets, as Government proposed in the consultation, would recognise the progress of each individual energy supplier towards market-wide smart meter rollout within their portfolio of customers and create further pressure on those energy suppliers who, to date, have been less focused on rolling out smart meters whilst gaining new customers. The new Framework should drive all energy suppliers to improve their performance and enable the momentum necessary to deliver a market-wide rollout as soon as practicable. Therefore, the new Framework is designed to set clear, defined outcomes where the contribution from each energy supplier is clear. On this basis, we consider it appropriate for Government to change the approach to an output measure rather than continue the existing input-related approach of the current licence condition.

82. However, due to COVID 19 and the temporary reduction in smart meter installations from March 2020, Government recognises that particular regulatory flexibility is needed in the immediate term. This is to ensure that energy suppliers and their supply chains have the flexibility they need during the pandemic and enough time to get back on track with their rollouts. It is on this basis that the Government has concluded that it will extend the existing ARS obligation for a period of six months from 31 December 2020 to 30 June 2021.

Installation targets and a four-year framework

83. In the post-2020 consultation published in September 2019[19], the Government recognised the importance of achieving market-wide rollout and high levels of smart meter coverage as soon as practicable to ensure an effective transition to a smart energy system and net zero emissions. We considered that a four-year framework would establish a reasonable period to achieve this ambition. Most respondents in response to Question 3 agreed that a four-year time period was appropriate for the new

[19] https://www.gov.uk/government/consultations/smart-meter-policy-framework-post-2020

Framework. In response to Questions 3 and 6, a range of stakeholders, including those in the installation supply chain, presented positive arguments for introducing annual installation targets. They described targets as a vital part of supporting momentum in the next stage of the rollout and noted that they help to identify progress and implement best practice and lessons learned. We agree this is the case and also agree with stakeholders' views that annual milestones are useful for energy suppliers and their supply chains to plan necessary investment. This was one of the Government's objectives as set out in the consultation.

84. DNOs and a consumer group suggested that BEIS should monitor and/or set targets on a regional geographical level. We do not consider it is appropriate to do this, as energy suppliers are not uniformly represented across each DNO region so this could lead to market distortion and would not be in the interests of consumers overall. However, we encourage energy suppliers, and the electricity and gas network operators to continue to work closely together to facilitate the safe and efficient rollout of smart meters.

85. One respondent queried how Government would define when the rollout will be complete and several energy suppliers argued that a straight-line trajectory limited flexibility, when they expect the final two years (i.e. 2023 and 2024) of the framework to be more difficult. In the consultation we described that our intention in setting a straight-line trajectory and an end minimum coverage level was to align incentives for energy suppliers to go beyond this level. In each year of the framework, energy suppliers would each be set an individual annual installation target. Delivering above this annual target has a direct impact on an energy supplier's trajectory towards market-wide rollout when setting their installation target in the following year and will mitigate any difficulties they expect to face in the final two years. Progressing beyond the final coverage level reached by energy suppliers at the end of the four-year framework will be a matter for Ofgem as they monitor compliance with the NRO which will continue to be in place.

86. One of Government's specified objectives in the consultation was to normalise smart metering, so smart meters become the default meter offer for all consumers consistent with bringing metering in line with the digital world. This is already happening as there are now some limits on the availability of certain types of traditional meters. During the Framework period, we expect the gradual phase-out of traditional metering and the normalisation of smart meters to continue as traditional energy meters are no longer manufactured, reflecting the broader shift to smart metering in international supply chains and the move to the deployment of smart metering systems internationally. As the shift towards smart metering progresses, we recognise it may not be feasible for energy suppliers to offer a traditional meter installation even where that was the customer preference and the deployment of a smart meter is the only option available.

87. Some stakeholders argued that the proposed framework would waste regulatory time as energy suppliers would potentially commit 'technical' licence breaches by missing the annual milestones by a 'handful of meters'. We disagree that the new obligation would increase the risk of non-compliance or waste regulatory time by investigating such breaches. Ofgem will monitor and enforce the pre-set annual targets in accordance with their enforcement guidelines.

88. Several large energy suppliers argued that implementing annual installation targets would be discriminatory. They stated that they would have cohorts of 'hard to reach' consumers which would be more expensive to provide with smart meters. However, we consider that no energy supplier has a clear view of the cost of deploying to their

customers at a granular, individual customer level. Equally, energy suppliers do not have a view of the breakdown of their competitors' customer bases and so it is unlikely that they are able to assess their relative comparable costs, as there are many reasons why costs may vary between energy suppliers. We acknowledge that the impacts of the new Framework will differ for each supplier according to their own specific circumstances. However, we consider the new Framework is appropriate and justified in order to deliver a market-wide rollout and normalise smart meters as the default meter used in Great Britain.

89. In the consultation we proposed to set targets on an industry-wide basis towards market-wide coverage. We consider that this remains an appropriate approach for the new Framework and the forthcoming consultation on tolerance levels. In addition, the evidence from the Government-led energy supplier consumer engagement and operational fulfilment maturity model developed and shared with energy suppliers in 2019, and benchmarked operational performance among large energy suppliers, showed significant variability between their performance across the consumer journey. This variability is not well predicted by energy suppliers or the assumed mix of demographics in their customer base. On this basis, we do not consider that an expectation of different deployment costs for different consumer cohorts is sufficient justification to retain ARS for the new Framework.

90. Similarly, non-domestic energy suppliers argued that specific challenges should exclude them from the new Framework. They raised concerns that the technical barriers for non-domestic premises would not be resolved by the end of 2020 and that the proposed framework represented a significant change in compliance compared to the existing obligation. The resolution of technical barriers is discussed in paragraphs 105 to 108 below. The response to Question 8 sets out in more detail our rationale for including all energy suppliers within the scope of the new Framework.

91. Overall, Government considers that over the longer term the principle of a four-year regulatory framework with annual installation targets will better deliver a market-wide rollout than extending the existing ARS obligation. We acknowledge that, in setting targets, Government needs to consider multiple factors that could influence whether targets can be achieved by energy suppliers. However, we do not consider that targets should be set at such a level that they reward poor performance. Further detail on the tolerance level can be found in response to Questions 4 and 5.

Consumer engagement

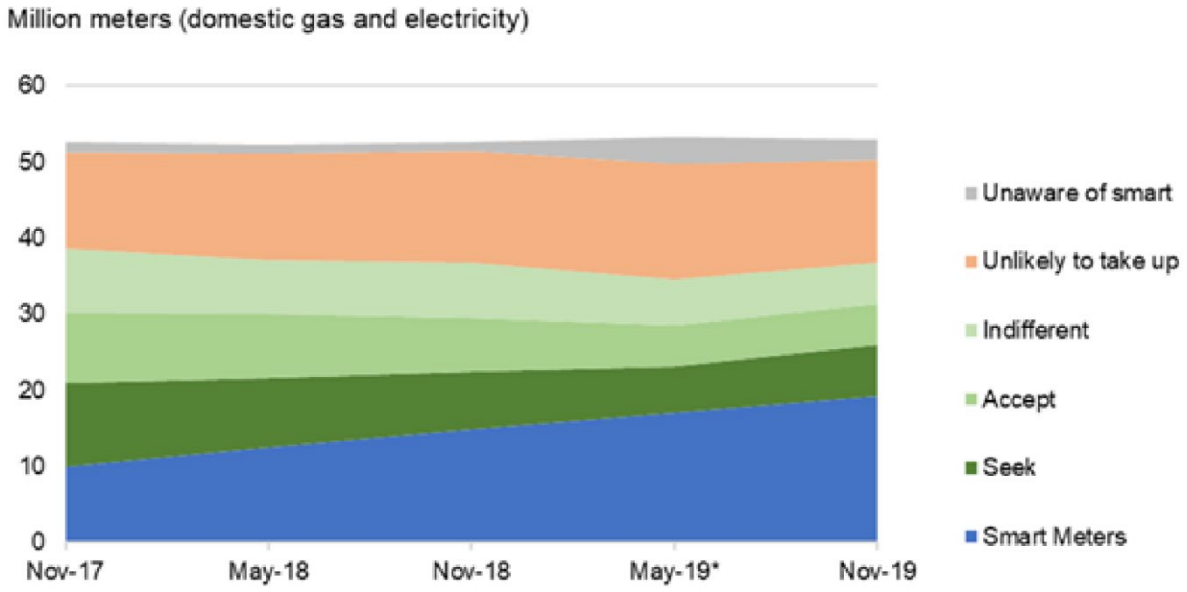
92. Many stakeholders viewed consumer engagement and acceptance of smart meters as the primary barrier to reaching a market-wide rollout. Respondents stated their concerns that binding targets would not be effective as long as consumer acceptance of smart meters remains voluntary. They argued that Government should introduce additional policy measures to increase consumer uptake, especially if the flexibility within the current ARS framework was to be removed. Government acknowledged in the consultation that further policy measures may be needed to support consumer uptake and sought views from stakeholders. The response to Question 17 considers these suggestions in more detail and sets out Government's next steps.

93. To highlight the scale of the challenge, many respondents quoted from the Smart Energy GB consumer outlook tracker in May 2019 that 42% of traditionally metered

consumers would be unlikely to take-up a smart meter in the next six months.[20] Since then, the November 2019 Smart Energy GB outlook tracker found that the 'unlikely to accept' figure has reduced slightly to 40%.[21] Government notes that while this figure may appear high, it should be interpreted in the context of all customers (rather than just those who are yet to get a smart meter) and is a measure of consumer attitudes over the next six months. Additional data collected by Smart Energy GB shows that consumer attitudes over this period are not fixed and that where customers do have concerns, they are often related to aspects of the rollout which are changing.

94. When taking into account those who have had installations, the November 2019 survey shows that only 25% of customers are 'unlikely to take-up' in the next six months. This number has been consistent over time, with the corresponding figure for November 2017 only slightly lower (23%). Over the same period, over nine million meters were installed and the number of households who reported having a smart meter in the survey increased from 18% to 32%. See Figure 1 below.

Figure 1: Domestic meters broken down by household attitude to getting a smart meter in the next six months



**In May 2019, the sample composition of this survey was changed to include more offline respondents. For this reason, readers must be careful drawing comparisons across this period. Specifically, the change in approach to sample means we find a greater number of respondents who are unaware of smart meter from wave 11.*

Sources: *Smart Energy GB Outlook Tracker Nov-17 to Nov-19: BEIS Q4 2019 smart meters statistics; Smart Meters Rollout Cost Benefit Analysis 2019.*

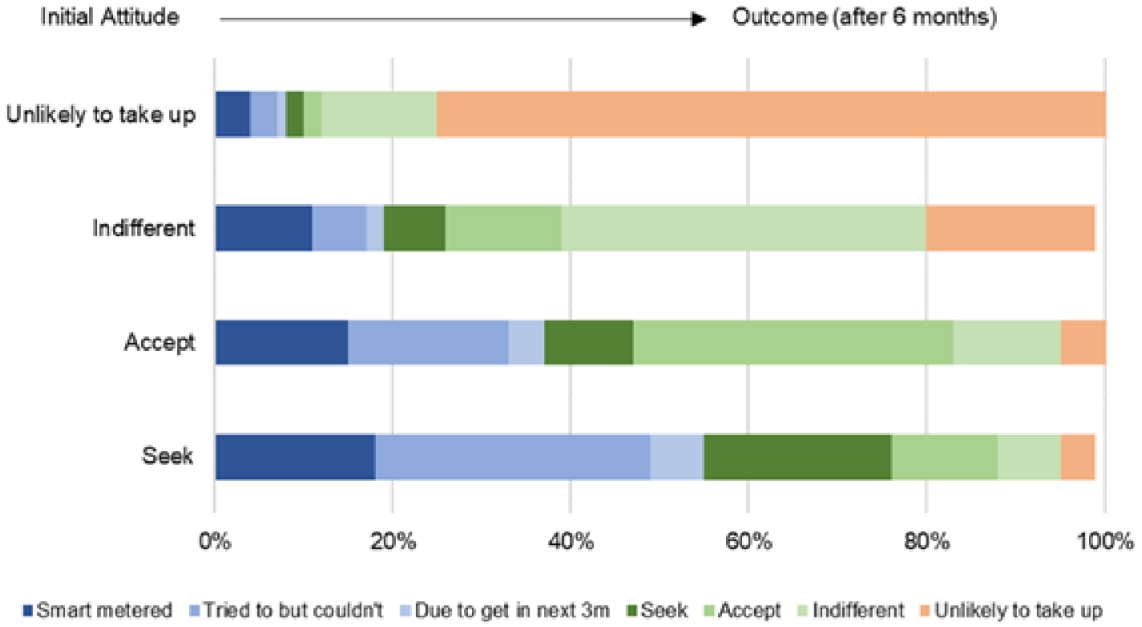
Questions: *How likely or unlikely will you be to contact your energy company within the next six months to request a smart meter installation? If you were offered a smart meter installation by your energy company within the next six months, how likely or unlikely are you to accept it?*

Base: *All who claim to not have a smart meter (7301, Nov-17; 6795, May-18; 6502, Nov-18; 9617, May-19; 8892, Nov-19)*

[20] Unpublished data from Smart Energy GB, Smart Energy Outlook, May 2019.
[21] Unpublished data from Smart Energy GB, Smart Energy Outlook, November 2019

95. Evidence also shows that these attitudes are not fixed. Smart Energy GB's latest Re-contact Study (November 2019) – a follow-up survey with those who responded to their outlook tracker six months earlier – shows that a significant proportion of customers change their attitudes over relatively short periods of time. After six months, just under a quarter (24%) of those who said they were unlikely to take-up a smart meter had either had a smart meter installed, attempted to get one, or moved to a more neutral or positive attitude. Similarly, a significant proportion of uptake comes from customers who identify themselves as indifferent to smart metering.[22] Across all categories, a proportion of consumers also report trying but not being able to have a smart meter installation. See Figure 2 below.

Figure 2: Change in consumer attitudes initially captured in Smart Energy GB's Smart Outlook Tracker over a six-month period



Source: *Smart Energy GB Recontact Survey Nov-19*

Questions: *Do you currently have a smart meter installed in your home? Which one of these statements about smart meters applies to you? How likely or unlikely will you be to contact your energy company within the next six months to request a smart meter installation? If you were offered a smart meter installation by your energy company within the next six months, how likely or unlikely are you to accept it?*

Base*: All respondents answering the re-contact survey (2519)*

96. Where consumers have indicated they are unlikely to take up a smart meter in the next six months, there are reasons to believe these attitudes can be changed. In May 2019, almost a third (31%) of these consumers did not have a specific concern about smart metering.[23] Where concerns do exist (and may have moved consumers to more negative attitudes) they are often linked to aspects of the rollout that are in the process of changing. The most common issues reported by those who said they were unlikely to take up (and had a concern) were technical and logistical (29%). The default deployment of SMETS2 meters and enrolment of SMETS1 meters into the national communications infrastructure provided by the DCC should mitigate this and may already be doing so. For example, interoperability remains the most common reason

[22] Smart Energy GB, Re-contact survey – wave 6, November 2019 (unpublished).
[23] Unpublished data from Smart Energy GB, Smart Energy Outlook, May 2019.

given for being unlikely to take up a smart meter, but there has been a slight decrease in the proportion of customers citing this reason (27% in May 2019 compared to 25% in November 2019).[24]

97. Taken together, this evidence suggests that consumer attitudes should improve as technical issues and eligibility are resolved. It also highlights the key role that energy suppliers and their supply chains play in influencing attitudes by resolving common technical challenges. There is also more that energy suppliers can do to influence consumer attitudes through their customer engagement and operational performance (see paragraphs 101 to 103). This includes offering products and services requiring or using smart meters which are attractive to consumers. We will monitor evidence relating to the impact of COVID-19 on consumer attitudes towards smart meters. However, we do not consider consumer attitudes towards smart meters prevent the implementation of the new Framework, taking into account the decision to extend the ARS framework for six months to 30 June 2021.

Consumer experience and vulnerable consumers

98. A consumer group stated that Government needed to be clear about what consumers should expect under the proposed obligation. Several respondents stated that introducing annual milestones could lead to energy suppliers aggressively targeting consumers. As mentioned in our response to Question 1, consumers continue to be the focus of the Programme. We have in place measures to ensure that the interests of consumers are fully protected. On this basis, energy suppliers remain obligated under the SMICoP to maintain the quality of installations. Ofgem has confirmed that customer surveys undertaken by energy suppliers to monitor customer experience and compliance with SMICoP obligations will be published.[25] We expect this to further incentivise energy suppliers to maintain and improve performance in this area.

99. Several large energy suppliers also argued that removing ARS would result in vulnerable consumers being left behind. They refer to Smart Energy GB's research that indicated lower seek and accept levels amongst vulnerable consumer categories. However, there is little evidence to suggest that regulatory deadlines relating to smart metering have driven negative consumer experiences in the past. Also, whilst there is some evidence to suggest that some consumers who may be more likely to be in vulnerable circumstances are less likely to seek or accept a smart meter than other consumer segments (e.g. older age groups), actual take-up has generally been consistent across consumer segments to-date.[26] As such, we do not consider that the new Framework will lead to poorer outcomes for vulnerable consumers. It could be argued that removing ARS strengthens the incentives for energy suppliers to ensure there is a near-universal smart metering service, thus ensuring that as many of their customers as possible benefit from smart meters. Furthermore, and as noted above, SMICoP provisions remain to protect consumers and we will continue to proactively monitor consumer protection policy to ensure appropriate safeguards are in place, including for vulnerable and prepayment consumers. We also note Ofgem's proposals

[24] Unpublished data from Smart Energy GB, Smart Energy Outlook, November 2019.
[25] Following the decrease in installations due to COVID-19, Ofgem has confirmed that energy suppliers will not be required to submit SMICoP customer surveys during Q2 2020. The SMICoP Governance Board has also temporarily postponed publication of the SMICoP customer survey results.
[26] Smart Energy GB, Smart Energy Outlook March 2019. An exception to this general trend of consistent take-up is the lower ownership observed amongst those who rent their homes from private landlords – see paragraph 283.

that large energy suppliers report on the respective coverage levels between their credit and prepayment domestic customers, and non-domestic customers if applicable.[27]

100. Smart Energy GB has a specific objective to assist vulnerable, low income and prepayment consumers to realise the benefits of smart metering. As outlined in the response to Question 15, the Government expects that future co-ordinated consumer engagement activities will increasingly focus on supporting those that are more vulnerable and harder to reach consumer groups. To this end, we are also consulting on amendments to Smart Energy GB's objectives[28] to ensure that they remain relevant for the next phase of the rollout.

Operational fulfilment

101. Several energy suppliers argued that they are already maximising their efforts to convert their customers. However, evidence from the customer engagement and operational fulfilment maturity model benchmarking, initially undertaken in 2019, as well as other supplier benchmarking data, indicates that there remains much more that all energy suppliers can do, and that no one energy supplier is best in class across the entire customer journey. This suggests that energy suppliers can do more to improve their engagement with customers and take action to reduce consumer concerns, which impacts on installation rates.

102. The design of consumer engagement activities is essential, both in operational fulfilment, and to make it easier for customers to accept an installation (i.e. moving them from indifferent attitudes or rejection to accept). Once installed, most consumers are satisfied with their smart meters.[29] However, poor performance in fulfilling installations can dampen take-up, with negative experiences of friends and family discouraging consumers from organising or accepting a smart meter installation. We consider it critical that energy suppliers improve their failure rates, including by making improvements to the rebooking of aborted installations, ensuring that consumers have a consistently good smart installation experience. This should both improve customer attitudes towards smart meters and ensure that more smart meter installations are completed effectively first time.

103. Energy suppliers have also been able to influence Smart Energy GB's campaign activity, through their membership of the Board and Performance Management Framework (PMF) Forum, ensuring that it focuses on areas most likely to drive shifts in attitude amongst key segments. The results from the most recent attitudes survey found that 62% of consumers with smart meters would recommend getting one,[30] up from 58% in the previous survey.[31] This is the first increase against a broad downward trend since late 2016. We consider the future of Smart Energy GB in response to Question 15.

Resolution of technical issues

104. Many respondents, including most energy suppliers, stated that outstanding technical issues would not be resolved before the end of 2020 and further regulatory flexibility

[27] https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-post-2020-smart-meter-rollout-reporting-requirements
[28] https://www.gov.uk/government/consultations/smart-meter-coordinated-consumer-engagement
[29] BEIS, Smart Meter Customer Experience Study 2017.
[30] https://www.smartenergygb.org/en/-/media/SmartEnergy/essential-documents/essential-documents/english/Outlook-March-2020.ashx
[31] https://www.smartenergygb.org/en/-/media/SmartEnergy/essential-documents/essential-documents/english/Outlook---September-2019-PROOF-731.ashx

would therefore be needed. Energy suppliers have continued to work with their supply chain partners, for example to develop and bring the remaining necessary SMETS2 variant meter types required for certain installations to market. Whilst there has been slippage of delivery dates since the consultation was first published in September 2019, and COVID-19 may yet introduce some additional delays, we are confident that the remaining necessary SMETS2 variant meter types will be available before the introduction of the new Framework on 1 July 2021 (following the extension of the ARS framework). The provision of Alternative Home Area Network (Alt HAN) solutions affects up to 5% of consumers and is set to deliver solutions during early 2021. We will consider whether the availability of these metering solutions should be accounted for, subject to consultation, within the tolerance levels for the new Framework. We expect to consult on this in Autumn 2020.

105. We recognise that there remain issues outside of the direct control of energy suppliers that affect the rollout at scale. These primarily relate to the DCC and its supply chain which provides the national communications infrastructure. In their responses, some stakeholders raised concerns about the scalability of DCC services and that this would undermine the rollout beyond 2020. We disagree with this assessment for the Central & South Communication Service Provider (CSP) regions, where there have been sustained service levels, supporting thousands of meter installations each day including for prepayment consumers. At the time of the consultation in Autumn 2019, there were concerns about aspects of performance in the CSP North region. Since then, cross-industry work has driven significantly improved performance of the radio-based network service for CSP North to support optimised commissioning of smart meters at installation, and improve installation and commissioning performance more generally. Progress has also been made with the availability of new communication hub firmware required to support a positive pre-payment experience for customers served by the CSP North network and this is expected to be available for deployment in 2020.

106. In addition, DCC has re-planned its delivery of Dual Band Communications Hubs (DBCH) which support the deployment of 868MHz meters required by c25% of premises. Delays to delivering DBCH reduce the number of consumers eligible for smart meters. Pre-COVID 19, the timeline for volume delivery of DBCH was in Quarter 4 2020. Based on progress being made, we remain confident that these can be deployed at volume in the second half of 2020 or early 2021. Achieving these timelines requires the support of energy suppliers, with user integration testing in Summer 2020 and Dual Band meter deployment once devices are available in Autumn 2020.

107. In summary, the Government believes that, with the active support of industry participants, the vast majority of technical issues will be resolved during 2020 and into early 2021 ahead of the new target framework coming into effect, following the additional period of ARS. We will continue to work closely with energy suppliers, meter and IHD manufacturers and the DCC to ensure that remaining issues are swiftly resolved as they arise and industry support for testing is provided. However, we do not accept the need for flexibility due to the delayed resolution of outstanding technical challenges as a sufficient rationale for keeping an ARS measure in place on an ongoing basis, beyond that needed to accommodate the exceptional circumstances presented by COVID-19.

Unreasonable steps and the default tariff cap

108. Energy suppliers argued that implementing a framework with annual installation targets would lead them to incur "unreasonable costs". This would result from scenarios where under the existing obligation, an energy supplier would choose not to undertake a specific installation or approach on cost-grounds. It is for Ofgem to assess whether suppliers have taken ARS under the current obligation. The new Framework includes a tolerance level to acknowledge that it may not be possible to install smart meters or advanced meters to all domestic and non-domestic premises within the timeframe.

109. This recognises that there may be some uncommon scenarios where, for example, significant rectification work is required to the customer's home to install the meter. This could include where part of the kitchen is obscuring or blocking access to the meter, or there is asbestos present that needs to be removed. In such situations the co-operation of the customer would be required or third-party skills from outside of the energy industry may be needed. These very high cost installations are currently not undertaken on the understanding that the cost should not be for an energy supplier to bear. It is unlikely (and we have not seen evidence suggesting) that these very high cost activities will make up more than a very small proportion of potential installations. We also consider it is unlikely that these will be concentrated in any given energy supplier's customer base.

110. There are other meter installations that are comparatively more expensive than a standard installation (e.g. complex metering or where limited remedial work is required), but these are more common than those described in the paragraph above. We do not expect these types of installations to be ruled out on cost grounds alone because doing so would remove smart metering eligibility for thousands of customers. An example of this would be if an energy supplier ruled out the replacement of Independent Gas Transporter (IGT) meters on cost grounds, due to removal charges on the meter. Other examples could include where the installation cannot take place within a default allocated job time as it requires specialist skills or equipment, which can be delivered within the energy industry. We acknowledge that the implementation of annual targets will have different impacts on different energy suppliers in line with specific circumstances and business models. However, we consider that these impacts can be addressed and justified by the overall objective to achieve market-wide rollout.

111. Energy suppliers also argued that if they have to take more costly activity, they cannot recoup these additional costs due to the default tariff cap. Energy suppliers noted that Ofgem's consultation on the smart metering component of the default tariff cap in October 2019 proposed not to review the level of smart metering costs during the remainder of the default tariff cap.[32] However, Ofgem confirmed to stakeholders in January 2020 that they intend to continue to review the level of the smart metering costs permitted in the default tariff cap.[33] This suggests that potential cost increases may be recognised in future default tariff cap periods if Ofgem deems them to be efficiently incurred. It will be Ofgem's decision as to whether these are included. Overall, we do not consider that the risk of energy suppliers incurring additional costs to be a sufficient rationale to retain the ARS framework.

[32] https://www.ofgem.gov.uk/publications-and-updates/reviewing-smart-metering-costs-default-tariff-cap-october-consultation
[33] https://www.ofgem.gov.uk/publications-and-updates/reviewing-smart-metering-costs-default-tariff-cap-update-and-response-october-2019-consultation

Conclusion

In summary, the Government considers that over the longer term, a four-year regulatory framework with annual installation targets will better deliver its objective of a market-wide rollout as soon as practicable. However, given the extraordinary circumstances presented by COVID-19, we intend to temporarily extend the existing obligation by a period of six months to 30 June 2021.

We consider this approach best balances the Government's objective to reach a market-wide rollout as soon as practicable with the immediate need for flexibility to allow energy suppliers to get back on track with their smart meter rollouts after the disruption caused by COVID-19.

We acknowledge that in setting targets for the new Framework, Government needs to consider multiple factors that could influence whether targets can be achieved by energy suppliers. We intend to consult in autumn 2020 on the annual tolerance levels and minimum coverage requirement for the new Framework.

Question 4

Do you agree with our assessment that an 85% minimum coverage at the end of the framework period is achievable? Please provide evidence to support your answer.

Summary of responses to Question 4

A summary of responses is provided in the table below.

Agree	Agree with caveats	Neutral	Disagree with caveats	Disagree	No response	TOTAL
8	15	4	3	18	12	60

112. About half of respondents agreed or agreed with caveats with our assessment that an 85% minimum coverage at the end of the framework was achievable. Those who agreed generally stated that it was important to implement a smart system as soon as possible in light of the Government's commitment to achieve net zero.

113. Some respondents encouraged Government to be more ambitious in the delivery of the rollout to ensure the realisation of consumer benefits as soon as possible.

114. Others acknowledged that the ambition could be achievable, subject to certain constraints being addressed and resolved. These respondents focussed on the resolution of outstanding technical issues, particularly aspects of interoperability, and the need for continued work to promote consumer demand and acceptance. Consumer group representatives raised a concern about vulnerable consumers being left behind and suggested the use of community programmes and trusted local organisations, including trained frontline advisers, to offer the best advice to vulnerable consumers so that they can also benefit from smart meters.

115. The majority of disagreements to the proposed 85% minimum coverage level came from energy suppliers, particularly large energy suppliers with more than 250,000 customers. Small and independent energy suppliers also disagreed with this proposal, although the number of responses received from small suppliers was lower overall, with only eight responses out of a total of sixty.

116. These negative responses presented very mixed views and raised a number of points about the basis of the Government's assumptions. Most respondents argued that 85% coverage was overly ambitious and only possible alongside wider government intervention to support the rollout. A significant number of respondents called for the removal of consumer choice in some or all parts of the market, arguing that setting targets dependent on consumer acceptance was extremely challenging within the parameters of a voluntary scheme.

117. Large suppliers in particular challenged the underlying installation forecasting model and the methodology used to reach the assumed minimum level of 85% smart meter penetration by the end of 2024. A trade body representing energy suppliers submitted an independent analysis based on energy suppliers' installation Programmes. Some of the large energy suppliers referred to this report or submitted additional analytical reports including their own assumptions and projection models. These supplier-commissioned reports projected that the maximum overall coverage by the end of 2024 would be within a range from 56% to 68% without any Government intervention (although some individual supplier responses suggested a maximum of 72% penetration by the end of 2024, in line with their specific assumptions and current position in the rollout curve). The key challenges presented were as follows:

- **The starting point.** Some respondents challenged the Government's assumption (drawing on energy supplier submissions to Ofgem) that market coverage at the end of 2020, the start of the new rollout period, would be 56%.[34] Energy suppliers stated that the forecasts submitted to Ofgem in their rollout plans "were produced at a different time and for a completely different purpose", and so were not appropriate for this use. Furthermore, energy suppliers claimed that they were encouraged to submit ambitious plans but that the historical evidence also showed that these ambitious plans were unlikely to be fully delivered. Therefore, energy suppliers believed that our analysis needed to be updated to reflect this situation.
- **Insufficient consideration of consumer attitudes**. Energy suppliers' view is that consumer attitudes represent the primary constraint on their ability to rollout smart meters and that customer refusals will prevent them from being able to deliver an 85% coverage level within the 2024 timeframe considered. They claimed that our "cohort reachability" scaling factor did not give sufficient consideration to this challenge.
- **Irrelevance of operational challenges with installations**. Energy suppliers felt that our focus on operational constraints such as installer numbers and productivity levels was not relevant, as in practice resource levels tend to be matched to demand rather than constraining the rollout.
- **Preference for a model based on rates, rather than levels**. Our approach of focussing on a baseline comprising the installation volumes delivered in 2019 and expected to be delivered in 2020 was not felt to adequately reflect the extent to which the diminishing size of the remaining eligible consumer base could constrain energy suppliers' ability to progress the rollout at pace. They preferred, therefore, to consider a rollout model based on the rate at which these eligible consumers are converted to smart (rather than the absolute number of customers who are converted).

118. Small suppliers also argued that the Government's assumption of market penetration at the end of 2020 was calculated on the basis of the rollout plans of large suppliers only, and therefore did not reflect the particular challenges faced by smaller energy suppliers. They stated that it was highly unlikely that small suppliers could have the same level of smart coverage as large suppliers. Conversely, some large suppliers have said in their responses that the proposed framework benefits small suppliers and new entrants into

[34] This figure was based on 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, as per rollout forecasts, were continued beyond the end of 2020.

the retail energy market, which are likely to use more aggressive pricing strategies to attract smart customers without the need to invest in the rollout infrastructure at scale themselves.

119. In terms of technical eligibility, some energy suppliers did not disagree with our eligibility forecasts, accepting that the vast majority of technical constraints should be resolved by end-2020. However, this is not true for all of them, with some energy supplies challenging this assumption and highlighting their reliance on the delivery of outstanding core infrastructure services by the DCC to be able to achieve 85% minimum coverage by the end of 2024.

120. As part of the consultation response, non-domestic suppliers raised concerns about the proposal to mirror the domestic framework of annual milestones and minimum end penetration of 85% by 2024 for non-domestic customers. They maintained the non-domestic rollout had specific challenges very different to the ones faced by the domestic sector, particularly in relation to consumer engagement and technical barriers to installations that, they maintained, are largely outside suppliers' control. They specifically cited the lack of SMETS2 polyphase variant meters as the main blocker to progress with their SMETS2 installation rollout.

Government response to Question 4

121. This question has been considered alongside Question 5. Please see response in pages 42 to 44.

Question 5

Do you agree with the application of permitted tolerance in stages, growing in a straight line to the final year of the monitoring framework? We would welcome your views on alternative methods to apply tolerance around the annual milestones. Please support your answer with relevant information.

Summary of responses to Question 5

A summary of responses is provided in the table below.

Agree	Agree with caveats	Neutral	Disagree with caveats	Disagree	No response	TOTAL
9	6	2	2	13	28	60

122. Out of the 60 responses received in total, only 32 respondents addressed this Question, 15 of which agreed with our proposal of applying tolerance levels in stages (six with caveats), and 13 disagreed with our proposal (one with caveats).

123. Most of the respondents, even those disagreeing with the details of the Government proposal, agreed, in principle, with the need to include tolerance levels in order to give flexibility to the achievement of annual targets. Responses also demonstrated some misunderstanding regarding the details of the Government proposal. The full methodology document for tolerance levels will be published as part of the consultation on the target levels, planned for this autumn.

124. Of those with a positive response to the Government proposals, some of the caveats raised focussed around ensuring:

- Annual milestones underpinning the straight-line trajectory of the tolerance cones are realistic and achievable;
- “Hard to reach” and vulnerable consumers are not left behind as part of the overall 15% tolerance and that Government considers the application of this tolerance to ensure that energy suppliers are meeting their obligations across all sectors of the market; and
- Even distribution of the overall 15% tolerance level amongst energy suppliers.

125. Large and mid-tier energy suppliers in particular were concerned about the achievability of the proposed targets, i.e. minimum smart coverage of 85% by end of 2024, and, therefore, did not agree with the straight-line approach growing from 2020 to 2024. The arguments against the proposed approach for the application of tolerance levels were varied:

- Most of the negative responses did not consider that the tolerance levels proposed, particularly during the first years of the framework, were sufficient to allow for external factors, specifically to allow for consumer acceptance and to factor in the outstanding technical constraints on installations, which some of the respondents thought would continue beyond 2020.

- Some large energy suppliers considered our proposal for tolerance application (in growing stages) as flawed and did not acknowledge the different permutations that could be used to ensure the opening of the tolerance over time. One energy supplier added that the proposed level of tolerance (15%) that allows a minimum threshold for suppliers of 85% of customers with a smart meter by the end of 2024, growing linearly from the supplier's position at the start of 2021, appears overly complex, prone to error and unsubstantiated by evidence to justify the approach.

- Some energy suppliers called for the opening of the tolerance to 15% across the board rather than progressively increasing the opening, as proposed in the consultation. One energy supplier in particular suggested the application of this flat tolerance level across all years of the monitoring framework to give suppliers the ability to bank and borrow a proportion of this tolerance (if unused) to use in other years.

- A trade body representing small and independent energy suppliers did not agree with hard targets in general and the application of universal tolerances. They thought that tolerances should be sector-specific (domestic vs non-domestic, large vs small) to provide flexibility according to the sector's specific challenges. There was concern that the levels of tolerance proposed by the Government and the methodology for their application had been developed following involvement primarily with large energy suppliers and so they did not represent the industry as a whole.

Government response to Questions 4 and 5

126. Government has carefully considered all the comments and the evidence provided in the responses to our proposed minimum smart meter coverage of 85% at the end of the framework period at the end of 2024. This level was linked to the overall proposed 15% tolerance allowed in the journey towards market-wide rollout.

127. As mentioned in the response to Questions 2, 3 and 6, the Government recognises that, due to the exceptional circumstances created by COVID-19, energy suppliers have focused on essential and emergency metering work and supporting those in vulnerable circumstances in the communities they serve. The Government has been working with energy suppliers to re-mobilise the rollout of smart meters, further to guidance published on 11 May 2020 on working safely in people's homes during COVID-19. Under these unprecedented conditions, the Government acknowledges the need to extend temporarily the regulatory flexibility provided by the existing ARS obligation to help energy suppliers to return to normal levels of productivity. A four-year policy framework with annual milestones will be implemented following this extension to the ARS obligation.

128. Despite a general disagreement from energy suppliers with a framework based on prescribed annual milestones, most respondents agreed that a tolerance regime to allow

for external factors and challenges in the delivery of the rollout (Question 5 of the consultation) was necessary to give flexibility to the achievement of milestones

129. The proposal of growing tolerance levels was challenged particularly by energy suppliers because of the link to the “straight-line” trajectory and the calculation of annual milestones. In response, the Government believes that in setting the tolerance allowances it is important to recognise that the challenges faced by energy suppliers will change over time in line with changes in market conditions. The Government recognises that, in some areas, these challenges may increase over time, for example, as smart meter coverage increases, the geographical density of appointments is likely to decline, with operational implications for installer productivity. There may also be challenges in engaging “harder to reach” or “more disengaged” consumers during the later years of the framework, acknowledging that the most technically challenging installations are also likely to happen during those years.

130. Question 5 in the consultation document invited respondents to suggest different ways of applying a tolerance regime that allows flexibility in the meeting of annual targets whilst ensuring a steady trajectory towards market-wide completion. Respondents were unclear on how tolerances would be applied in the calculation of annual milestones and sought further clarity. BEIS officials discussed a number of proposals for the application of tolerance levels during the consultation, including with Energy UK and large energy suppliers.

131. Government also acknowledges the concerns raised by some energy suppliers in relation to individual circumstances and delivery barriers. For instance, the non-domestic sector identified specific technological challenges in relation to the availability of the SMETS2 polyphase meter variant. It is our expectation that these meters will be available at volume ahead of the start of the new Framework. Although we recognise there remains potential risk of slippage in these timescales, we must also be aware that making further allowances for delays in the development of technical solutions would be counter to our objective of achieving market-wide rollout, bearing in mind that energy suppliers also have a degree of control through their contracts with device manufacturers. We would envisage that tolerance levels will cover for such eventualities.

132. The Government considers that the tolerance levels allowed for each Rollout Year (in percentage terms) should be universal and, therefore, applicable to the calculation of annual targets for all energy suppliers, regardless of their size, the customers they serve and their date of entry into the market. In the response to Question 8, the Government concludes that the new Framework should be applicable to all energy suppliers. Tolerance levels will be applied to calculate the annual installation targets, which will be binding and subject to action by the regulator, in line with its enforcement guidelines.

133. The Government also recognises that the rollout performance of energy suppliers may vary significantly and the proportion of consumers they need to convert to achieve market-wide rollout will be directly related to their smart meter coverage levels at the end of the ARS period (including the extension implemented as a result of COVID-19). Therefore, although the percentage tolerance allowances would be universal, these will be applied individually to each energy supplier based on the total number of premises supplied by each supplier on the day immediately preceding each Rollout Year in scope.

134. The practical application of the framework will therefore be as follows:

- The required minimum number of installations for each energy supplier for the year ahead will be assessed based on the number of premises on the last day of the previous year in which a smart metering system or (where permissible) an advanced meter has yet to be installed.

- The requirement will set out the minimum number of smart metering systems or advanced meters that the energy supplier is required to install in the year ahead. In calculating the minimum number of required installations, the universal tolerance percentage for the relevant year would be determined for each supplier based on the total number of premises supplied by that supplier at the end of the previous year.

135. The energy supplier will be required to install a number of smart meters greater than or equal to this number by the end of each year in the monitoring framework period.

136. The targets and tolerance profiles (or tolerance values) are thus set individually for each energy supplier although using the same tolerance levels, which as explained above, are universal. Each energy supplier's installation numbers will then be judged against its own targets and tolerance values.

Conclusion

As a result of our decision to extend the existing obligation by a period of six months to 30 June 2021 as a result of COVID-19, the Government confirms that the proposal for a minimum coverage of 85% (linked to an overall tolerance of 15%) at the end of the framework period (Question 4 of the consultation) is withdrawn.

Tolerance levels and therefore the minimum coverage required at the end of the framework will be reconsidered in line with new evidence following the hiatus in installations caused by COVID-19. On this basis, the Government is planning to consult on tolerance levels and installation milestones during autumn 2020.

In this consultation, we will address the concerns raised by respondents, and in particular by energy suppliers with respect to the modelling analysis. These concerns focused on the assumptions used in our analysis (starting point, consumer acceptance levels and technical and operational challenges in particular). We also intend to consider the impact of COVID-19 on modelling assumptions.

Question 7

Do you agree with the proposal that "customer churn" – arising from consumers switching energy suppliers – should be accounted in energy suppliers' pre-set annual milestones? Please give reasons for your answer.

Summary of responses to Question 7

A summary of responses is provided in the table below.

Agree	Agree with caveats	Neutral	Disagree with caveats	Disagree	No response	TOTAL
15	15	0	1	5	24	60

137. Out of the 60 responses received, 36 responded to this question. Over 83% of those who responded agreed or agreed with caveats that 'customer churn' arising from consumers switching energy suppliers should be taken into account when calculating annual milestones for energy suppliers, so that energy suppliers would be credited with all smart meter installations they deliver in each Rollout Year regardless of whether consumers remain with that energy supplier at the end of that Rollout Year.

138. Those respondents who agreed highlighted that targets should be calculated based on installation numbers to acknowledge suppliers' investment in the smart meter infrastructure. There was a particular comment highlighting that taking account of churn would avoid energy suppliers diverting their attention to acquiring existing smart customers rather than ensuring that the pace of their own new installations is maintained. Others noted that the energy retail market has become more dynamic over time and "customer switching" should be recognised in the calculation of annual targets.

139. 15 responses agreed in principle with the inclusion of churn as part of the target calculation, but raised some concerns about the proposed methodology:

- There were calls for ensuring that energy suppliers were not penalised for taking non-smart customers at the end of the reporting year, particularly when acting as a supplier of last resort (SoLR) following the failure of an energy supplier;
- Some respondents asked for further clarity about how in-year churn would be accounted for in the target calculation, and the subsequent impact on energy suppliers' ability to meet these targets; and
- Concerns were raised about the impact on the SMETS1 enrolment programme. Some respondents highlighted that it is important that the proposed approach does not incentivise the replacement of SMETS1 before enrolment, and suggested that, to avoid this, any SMETS1 replacement should be deducted from installation numbers counting towards the targets.

140. Responses disagreeing with the proposed account of churn as part of the annual target calculations came mainly from energy suppliers and/or trade bodies representing them and covered a number of issues:

- One large energy supplier expressed their disagreement with how churn was accounted for in the proposal. Their argument was that they are likely to lose two smart meters for every smart meter gained, so meeting installation targets would become more difficult over time as the milestones are reset each year. They considered that the proposed approach would penalise energy suppliers with levels of smart penetration higher than the industry average. They proposed that to discount churn, the Department should set annual milestones only once, and based on end-2020 performance levels. They argued that this would ensure energy suppliers are targeted against a shared penetration level;

- Small and independent suppliers' disagreement with the proposal was in line with their overall objections to the policy framework. They opposed the imposition of rigid installation targets, including targets that credit energy suppliers with each smart meter installation they deliver in a year regardless of whether the consumer remains with that energy supplier. They argued that this approach would place some energy suppliers at a considerable disadvantage if their business model relies on attracting new customers to grow their market share, because these energy suppliers do not carry out a proportionally high number of installations. However, they acknowledged that if energy suppliers were not credited with the smart meters they provide to customers who subsequently switch, this would fail to reward energy suppliers for their contribution towards market-wide rollout. To avoid these problems, they suggested extending the ARS regime to 2024, thus allowing for a more flexible approach which is appropriate for all business models. Small energy suppliers also noted in their responses that there was a considerable variation between market sectors, including levels of customer churn. This means that some energy suppliers would be more affected than others by changes in their customer base as a result of switching; and

- The specific impact of churn on the non-domestic market was addressed by two of the respondents. Whilst they agreed that churn should be accounted for in target calculation, they raised concern regarding the methodology proposed as the most effective way to deal with churn for the non-domestic sector. They explained that in the non-domestic sector, contracts were typically up for tender in April and October each year and that is when significant changes in the customer portfolios occur. They considered the Government proposal of accounting for churn at the end of the framework year to make the target calculations for the year ahead was likely to disincentivise energy suppliers to compete for multi-site customers, given the risk of inheriting a portfolio of non-smart meters. This was likely to lead to perverse behaviour. They suggested an alternative to avoid this by:

  - Introducing time-limited exceptions (i.e. 6 months) for portfolios gained through SoLR; and
  - Introducing pro-rata corrections for the April and October rounds in the calculation of milestones.

Government Response to Question 7

141. The Government has considered the responses received in relation to our proposal to include “customer churn” as part of the calculations for energy suppliers’ annual milestones. We note that a significant majority of respondents agreed with our proposal that energy suppliers be credited with each smart meter installation they deliver within a given year regardless of whether the consumer remains with that energy supplier. The arguments raised against our proposed inclusion of churn in the calculations of annual installation targets have been considered below.

142. There is evidence that churn could have a disproportionately negative impact on the largest energy suppliers at present, because they are currently ahead of the smallest energy suppliers in terms of their smart meter rollout. When large energy suppliers lose a customer, it is more likely to be one with a smart meter and when they gain a customer, it is more likely to be one with a traditional meter. However, we believe that there are two factors that counteract this:

- Reductions in market share as a result of customer churn would make the targets less demanding in absolute terms (in terms of the installations that are required to be made); and

- Since all energy suppliers will be required to follow a trajectory towards market-wide coverage (within tolerance), coverage levels across the industry will be expected to increase and so the smaller energy suppliers will be required to catch up towards the larger energy suppliers’ rollout progress levels.

143. The argument that churn will negatively affect larger energy suppliers, as there are higher incentives for small to medium energy suppliers to gain customers on churn (rather than installation), disregards that this incentive is higher under the current ARS obligation. At present, energy suppliers are assessed on their overall coverage level, whereas under the new obligation annual targets will be calculated based on installations. This will ensure energy suppliers are credited for smart meters deployed to customers who subsequently switch during that year. This argument also fails to acknowledge that all the energy suppliers in the domestic retail market have similar incentives and are operating under a default tariff cap regime.

144. One energy supplier raised the issue of “late-period churn”, meaning customers who switched to their company very late in the year and for whom they would not be able to install smart meters in time for year-end, causing them to miss the target. We would like to highlight that the installation requirements for a given year will be based on the customer base at the end of the previous year, which means that these customers who are acquired “late” during the year will not count for that year’s targets.

145. We acknowledge the concerns raised by non-domestic energy suppliers in relation to the challenges specific to this sector but disagree with their argument that including churn in the calculations will disproportionately affect their ability to meet their targets compared to domestic energy suppliers:

- The scale of the issue raised is unlikely to be significant; we understand that where non-domestic suppliers respond to tenders to supply energy contracts, these are more common for larger commercial or multi-site groups (whereas an estimated 70% of the non-domestic smart eligible portfolio are microbusinesses). Equally, over half (50-60%) of all renewal activity does not take place during the months of

April and October. In instances where larger batches of traditional sites are inherited in October, these will not affect the imminent year's targets as the installation requirements for a given year will be based on the customer base at the end of the previous year. Inheriting larger portfolios of traditional non-domestic customers also provides energy suppliers with opportunities to fulfil larger numbers of installations in an efficient way to meet the following year's target i.e. for multi-site customers. These factors combined suggest that non-domestic energy suppliers would not be disproportionately affected by switching patterns in the market and can plan their operations for the year ahead to take account of seasonal peaks and troughs; and

- The issue of SoLR raised by non-domestic suppliers as one of the main challenges also affects domestic suppliers. In recent years, under the ARS obligation, Ofgem has considered this issue when large energy suppliers, as a result of taking on SoLR customers late in the year, have missed their annual milestones. In those instances, Ofgem has engaged with the energy suppliers in question to find a pragmatic approach to reporting and has taken their specific circumstances into account when making any decisions on enforcement. Ofgem will continue to enforce the new Framework in line with its enforcement guidelines.

146. We acknowledge the concerns raised by one energy supplier in particular about the impact of churn and the proposed methodology for calculating installation targets on the SMETS1 enrolment Programme. We note that the definition of "Qualifying Metering System" means that where a Smart Metering System (including a SMETS1 Smart Metering System) is already installed, its replacement with another Smart Metering System would not count towards energy suppliers' targets under the new Framework. The targets are set by reference to "Qualifying Relevant Premises" (QRPs). This is defined as premises where neither a smart metering system nor an advanced meter is installed. In effect, this means replacing a SMETS1 Smart Metering System with a SMETS2 Smart Metering System would be a zero sum game as it would not reduce the number of QRPs where a smart or advanced meter needs to be installed (subject to tolerance levels). The Government's objective is for over 99% of SMETS1 meters to be enrolled, and that any unenrolled SMETS1 meter would need to be replaced with SMETS2 by end-2021 (subject to ARS). However, these replacements would not count towards energy suppliers' installation targets under the new Framework.

147. The new Framework ensures energy suppliers' investment in individual smart meter installations are recognised each year. This represents a significant improvement from the current "all reasonable steps" obligation where targets are assessed on levels of smart coverage and under which energy suppliers are more susceptible to within-year churn. We recognise, however, that the methodology cannot deal fully with the broader issue of a dynamic retail market which will very much depend on the success of energy suppliers' consumer engagement strategies and their disposition to offer competitive tariffs.

148. The post-2020 policy framework is based on overall principles of competition, protecting the interests of consumers and fairness, and on that basis, the Government concludes that the basic concepts of the obligation (for instance including customer churn as part of the calculation of annual installation targets) should apply to all energy suppliers in the market, to deliver the ambition of market-wide rollout as soon as practicable. Making specific allowances for individual cases or categories of supplier would be unfair to other

energy suppliers, who, in turn, may advocate for catering to their unique circumstances, thereby undermining the basis of the policy.

Conclusion

Having considered the consultation responses, we reaffirm our view that churn is the reflection of a dynamic energy market which encourages consumers to shop around for the best deal. In this switching environment, customers gained on churn will be an inevitable factor in the make-up of energy suppliers' customer base.

For that reason, the Government concludes that churn needs to be included in the calculation of annual targets, as it implicitly affects the number of qualifying relevant premises and the market share used to calculate the tolerance levels for any particular Rollout Year.

Question 8

Do you agree with the proposal that any post-2020 obligation should be applied to all energy suppliers regardless of size and date of entry into the market? Please give reasons for your answer.

Summary of responses to Question 8

A summary of responses is provided in the table below.

Agree	Agree with caveats	Neutral	Disagree with caveats	Disagree	No response	TOTAL
23	13	1	0	6	17	60

149. Most respondents agreed, or agreed with caveats, with the proposal that any post-2020 obligation should be applied to all energy suppliers regardless of size and date of entry into the market. Many respondents said that it was important to set regulations across the market, and that consumers should expect to receive the same level of service regardless of supplier. Several respondents drew comparisons with wider work undertaken by Ofgem to align the Retail Energy Code and within Programme to ensure all energy suppliers are DCC Users and can operate smart meters in smart mode.

150. Where respondents caveated their response, their concerns included:

- That reporting obligations be proportionate to the number of metering points. However, one respondent suggested that Ofgem's proposed monitoring framework proposals, which would set a threshold of 150,000, would undermine the intent of this policy;
- That the principle of the proposal should be applied to all smart meter rollout funding arrangements, such as Smart Energy GB funding; and
- That the target setting does not take account of individual energy suppliers' circumstances so the policy impacts on energy supplier costs would not be evenly spread.

151. A small number of respondents, mostly those representing non-domestic stakeholders or smaller energy suppliers, disagreed with the proposals. Their concerns included:

- That the proposal should be modified to revert to an ARS framework, where portfolio size can be accounted for in assessing supplier performance;
- Suppliers may not be able to access or source specific meter types, particularly in the non-domestic sector. Non-domestic gas-only suppliers serving microbusiness customers could also face specific challenges;

- Non-domestic energy suppliers with small numbers of customers in scope of the rollout would face disproportionate costs of compliance. This creates a significant barrier to entry for smaller non-domestic suppliers; and

- Consumer journeys could be damaged by small suppliers facing the pressures described above. For example, energy suppliers may try to avoid acquiring customers who will face technical challenges or incur significant costs in getting a smart meter installed.

152. To address the alleged detrimental effect of these proposals on small suppliers above, some respondents suggested that the Government should implement a minimum threshold or create a way for small suppliers to discharge their responsibilities. Respondents suggested this mechanism could operate via large suppliers, or a centrally delivered installation service.

Government response to Question 8

153. The Government has considered the responses in relation to whether the post-2020 framework should apply to all energy suppliers. We note that most respondents agreed that it should. However, we have considered whether exceptions could be justified for smaller or non-domestic energy suppliers.

154. A small number of respondents suggested reverting to an ARS framework where portfolio size could be accounted for in assessing performance. As set out in response to Questions 2, 3 and 6 above, Government does not agree that a framework based on ARS is suitable for the next phase of the rollout beyond the 6-month extension in response to COVID-19. Under the proposed framework, any annual installation target would be proportional to an energy supplier's size. There is a mature market of third-party installers that can deliver smart meters on behalf of energy suppliers. We have also seen the number of installing energy suppliers increase following the transition to SMETS2 installations. Government has long-established forums to share insight and best practice for smart meter installations – both on operational issues including safety (Smart Metering Operations Group, SMOG) and consumers (Consumer Reference Group, CRG). Insights or plans from these groups are also shared via the Programme's Independent Suppliers Newsletter and/or the quarterly Independent Suppliers Forum, in addition to industry engagement through other channels.

155. In addition, small energy suppliers grow their customer base by gaining consumers on churn from other energy suppliers. Consumers who switch may already have a smart meter, and this proportion will increase as smart meter coverage increases. Such consumers without smart meters, who having switched energy supplier are likely to be more engaged, represent a good opportunity for the energy supplier to book and install a smart meter. We therefore do not consider it appropriate for Government to create an alternative regulatory framework for small energy suppliers to discharge their obligations.

156. An alternative way to account for smaller energy suppliers could be through the introduction of a minimum threshold. However, in our view, doing so would send a clear signal that an energy supplier could grow to a certain size before it needed to consider its smart metering obligations. This risks poor customer outcomes and creates customer confusion. It also goes against the principle, set out in the 2019 consultation, of smart meters becoming normalised across the entire energy sector. All energy suppliers have been required to become DCC Users since November 2017 if they serve domestic

consumers, and 31 August 2018 if they serve non-domestic consumers in scope of the smart metering mandate. Since 1 January 2020, new energy suppliers are not able to exit Controlled Market Entry until they are a DCC User. For these reasons we do not think it appropriate now to make specific caveats for small energy suppliers within the new Framework.

157. Respondents from the non-domestic sector highlighted concerns both in relation to their size as non-domestic only energy suppliers and the complexity of the sector. Government acknowledges that there are more complex metering arrangements in the non-domestic sector. Under the existing obligation, energy suppliers to larger non-domestic consumers with only advanced meters, are exempt from the DCC User mandate. This exemption ensures that energy suppliers who supply industrial and commercial sites with different metering arrangements including those who continue to prefer an advanced meter do not face barriers to entry or undue compliance costs. It is intended that this exemption continues under the new Framework. We disagree that non-domestic energy suppliers with small numbers of SMETS customers in scope of the rollout under the new Framework would face disproportionate costs of compliance. The rollout of smart meters to smaller non-domestic premises has been a long-standing policy commitment. Therefore, at this point in the rollout costs should be considered as part of standard business planning for the supply of smaller non-domestic sites.

158. Non-domestic energy suppliers are also able to offer consumers a choice between an advanced meter and a SMETS2 meter for non-microbusiness premises. Three respondents argued that this choice should be extended to microbusinesses. As stated in the Government Response to the consultation on non-domestic smart metering policy proposals and draft legal text (March 2018),[35] microbusinesses are excluded from the consumer choice policy. These consumers tend to be less engaged and demanding than larger non-domestic consumers, a position supported by both the Competition and Markets Authority's energy market investigation[36] and the most recent Ofgem state of the energy market report.[37] Having SMETS2 meters operated via the DCC will ensure that non-domestic consumers with SMETS2 meters can seamlessly switch energy suppliers without losing their smart benefits. This is particularly important for less engaged microbusinesses and SMEs. Forthcoming campaigns, as a result of extending Smart Energy GB's remit in 2019 to cover microbusinesses, will also assist in raising awareness and promoting the benefits of SMETS2 meters to these customers. Overall, we do not view that there are significant barriers to entry for non-domestic energy suppliers created by the new Framework.

159. On operational issues relating to non-domestic energy suppliers, such as gas-first installations for microbusinesses noted by one respondent, Government has assisted with sharing best practice and technical solutions for the non-domestic sector through forums such as SMOG. To date this has included several workshops which Government is committed to continuing should they be useful to the sector. Government also works with trade associations such as Energy UK and the Association of Meter Operators to ensure that health and safety solutions are identified and cascaded, including those relating to non-domestic installations. Finally, the National Skills Academy for Power (NSAP) acts as the accreditation body to ensure that smart metering installers' training providers reach the requisite level to deliver safe and technically sound installations.

[35] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/695006/Government_Response_to_the_non-domestic_consultation_package_final.pdf
[36] https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf
[37] https://www.ofgem.gov.uk/publications-and-updates/state-energy-market-2019

NSAP works with Government to ensure that energy suppliers are able to feed in the latest training requirements, respond to the findings of audits and share best practice. It will be important that energy suppliers with specific training implications and concerns for non-domestic installations work collaboratively with NSAP to ensure specific training needs are identified so these can be reflected in training courses as appropriate.

160. Some respondents noted that the non-domestic consumer journey may be affected negatively by the new Framework. The new Framework does not affect compliance with SMICoP installation provisions and consumer standards must be upheld throughout. SMICoP provisions are applicable to smart meter installations at microbusiness premises. Such premises account for approximately 70% of non-domestic premises in scope of the rollout. For all non-domestic sites in scope of the rollout, Government continues to work with industry through energy supplier engagement activities and forums to ensure that customer experience standards are upheld, and good practice is shared. Regarding meter availability and, as discussed in the response to Questions 2, 3 and 6 above, we expect variant SMETS2 meters such as polyphase meters to be available ahead of the start of the new Framework.

161. In our view, it would contrary to the principles set out in the consultation document to remove all non-domestic premises from the scope of the new Framework. Doing so would lead to significant consumer detriment, especially for microbusinesses. Approximately 80% of non-domestic premises are served by large non-domestic energy suppliers (with more than 250,000 customers). As such, large energy suppliers will continue to play a major role in delivering smart and advanced meters to this sector. We consider that the new Framework will incentivise all energy suppliers to tackle more complex installations, including those at non-domestic premises that have not previously been attempted.

162. A small number of respondents highlighted that the proposed framework would lead to an uneven allocation of policy costs due to their differing circumstances. We acknowledged in the consultation that each energy supplier will face its own unique set of circumstances, and we have addressed these concerns in response to Questions 2, 3 and 6. Respondents also suggested that the allocation of costs be revised in line with the new Framework. Government has already confirmed that DCC charging will be amended so that it is on a market-share basis for both domestic and non-domestic energy suppliers from April 2021, including a mechanism for ensuring sites with advanced meters are not subject to DCC charges.[38] In response to Question 15, we consider whether it is appropriate to change the funding model for Smart Energy GB.

163. Finally, we disagree that separate reporting requirements for larger energy suppliers inadvertently creates a threshold for compliance. The existing obligation applies to all energy suppliers, but we have taken a proportionate approach to reporting to not unduly burden small energy suppliers. We consider it appropriate to continue to do so. However, in light of the changing market conditions, Government will reconsider whether the reporting threshold of 250,000 domestic customers remains appropriate ahead of the implementation of the new Framework. We note that Ofgem proposed to revise its monitoring threshold to 150,000 customers in its recent consultation.[39]

[38] See: https://smartenergycodecompany.co.uk/latest-news/beis-government-response-to-consultation-on-code-and-licence-changes/
[39] See: https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-post-2020-smart-meter-rollout-reporting-requirements

Conclusion

Having considered the arguments put forward by respondents, it remains the Government's position that all energy suppliers, regardless of size and date of entry into the market, should be subject to the new Framework.

Question 9

Do you agree with the proposal of a mid-point review to revisit tolerance levels within the monitoring framework period in line with market conditions?

a. If the answer is yes, when do you think will be the best time for this review?

b. If the answer is no, please explain why not.

Summary of responses to Question 9

A summary of responses is provided in the table below.

Agree	Agree with caveats	Neutral	Disagree with caveats	Disagree	No response	TOTAL
10	16	0	0	17	17	60

164. There were 43 responses to this question, with 26 respondents agreeing (including 16 with caveats) that a 'mid-point' review should take place, and 17 responses disagreeing with our proposal.

165. Those in agreement presented a variety of views with regards to the scope and timing of any review. Common suggestions have been summarised below:

Timing of the review

166. **"One Review":** Some respondents agreed with having one review as suggested in the proposal, although not all of them concurred that a "mid-point" would be the most optimal time. There were some suggestions for a review just before "half-way" and no later than the end of 2021; others suggested mid-2022 so changes could be introduced from December 2022 onwards; some agreed with a mid-point review but with room for an "emergency" review if necessary. There were some respondents that proposed a non-time-bound review, triggered instead by the level of smart coverage (>50%) or when sufficient evidence on consumer acceptance and technical issues was available.

167. **"Two reviews":** A significant number of respondents asked for two reviews, although with different suggestions regarding the timing of these. Some proposed an assessment of smart meter coverage before the new Framework comes into effect (prior to January 2021), and then at the end of 2022 or early 2023 to assess progress and address issues in a timely fashion. Others suggested an additional review during the new Framework's first year of operation in addition to the mid-year review. One respondent suggested annual reviews for the first two years of the framework (2021 and 2022) to ensure target levels were appropriate.

Scope of the review

168. A number of respondents suggested that the scope of the review should be wider than the review of target levels. The most common recommendations included:

- Progress on energy suppliers towards market-wide rollout;
- Consumer sentiment in relation to uptake;
- Progress of technical/operational activities e.g. device availability from meter manufacturers; and
- Progress across all segments of the market e.g. Alt HAN cohort of customers, private rented sector, vulnerable groups, etc.

169. 17 respondents disagreed with the proposal for a mid-point review because they thought it would be too late and could delay the delivery of other policy incentives. Most of these views were from energy suppliers (large, small, non-domestic) who argued there should be annual reviews instead, starting from the end of 2020 as part of a target-setting exercise and to monitor the effectiveness of the policy. Small energy suppliers in particular noted that the need for a review demonstrated the implicit weakness of setting numerical targets.

170. There were some responses suggesting that any review should allow energy suppliers to re-submit their projected smart meter installation forecasts, with one respondent even proposing that this process should be codified through the Smart Energy Code panel with escalation to Ofgem if needed.

Government Response to Question 9

171. The vast majority of unsupportive responses to the proposal for the introduction of a review came from energy suppliers. It reflected their overall disagreement with a policy framework based on annual targets and the proposed move away from ARS. Energy suppliers advocated for annual reviews to set the milestones for the subsequent year. This is similar to how large energy suppliers have set their own annual milestones during the ARS obligation. We do not agree that it would be appropriate to recreate annual reviews under the new Framework. Holding annual reviews could encourage short-term decision-making with energy suppliers not focussing on the overall ambition of market-wide rollout. Furthermore, mirroring the mechanism of the current ARS obligation would undermine the objective of our policy proposal which, as described in our response to Questions 2, 3 and 6 (pages 27 to 36) intends a move from the ARS model and the need for a new obligation with defined annual installation targets where the contribution from each energy supplier towards market-wide rollout is clear, thus enabling the trajectory towards energy decarbonisation and net zero.

172. In general, there was support for the proposal of a “mid-point” review to revisit tolerance levels within the policy framework in order to reflect changes in market conditions, although respondents’ suggestions on the timing and scope of the review were varied.

Timing of the Review

173. Support for an early review (before mid-way) was triggered by the concern that the implementation of policy measures to support the delivery of the rollout was linked to the outcome of the review and, therefore, at risk of being delayed. As noted, in our response to Question 17, we are progressing some measures immediately. Other measures, also signalled as part of our response, will be implemented at an appropriate time, but this is

not necessarily connected to the outcome of the review, unless the application of the measures is specifically related to operational fulfilment criteria. On the latter, the Government considers that the application of certain measures, in particular those that would be perceived as more assertive, would not be appropriate and potentially counterproductive until energy suppliers have improved their operational performance as identified through the fulfilment maturity model outcomes shared in 2019 and insights provided via benchmarking.

174. We have also considered the suggestion from some stakeholders to review the policy framework again during 2020. We consider this is no longer relevant, based on the decision to extend the ARS obligation for six months to 30 June 2021 in response to the exceptional circumstances created by COVID-19, and as we will be further consulting on tolerance levels and minimum coverage requirements in Autumn 2020.

175. Under the new Framework, the Government wants to set an ambition over several years such that we give certainty to the sector to ensure that the improvement in operational outcomes is commercially viable. On this basis, we consider that holding a single review is appropriate. We agree, however, that the outcome of the review needs to be available in time to be effectively deployed during the Framework. Our current expectations are that the conclusion of this review is likely to be published during the second year of the Framework (once it has been implemented, following the ARS extension) but we reserve the right to amend the timing in light of developments during the pre-review period.

176. It is also necessary that any part of the Framework to be delivered ahead of a single review needs to be realistic, including the target values set through the policy development process and the Government response. On that basis we expect to consult on these target levels later in the year to ensure that the latest industry information and the most recent available data has been considered when setting them.

Scope of the Review

177. A number of stakeholders have suggested that a review of the Framework should not only cover the appraisal of tolerance levels/targets for any period following the review. It was suggested that in addition to this appraisal the scope should include energy suppliers' progress, consumer sentiment towards smart meters, and whether the timeframe of the monitoring period should be extended.

178. Whilst we agree that collating this information will be necessary to establish market conditions, it will be conducted in the context of feeding into the assessment of the appropriateness of tolerance levels (and by association, the overall minimum coverage level) which remains the main focus of the review.

179. The Government has an existing Programme of monitoring and research activities that collect evidence on consumer attitudes and outcomes, and supplier performance. We anticipate a review of tolerance levels (to increase them or decrease them) will draw on this, in addition to any further evidence or data collection as required. How this evidence will be collected will be communicated separately to the relevant sources of information in due course.

Conclusion

On the timing of the review, the Government concludes that a single review point is appropriate to provide certainty to the sector on the overall ambition over a number of years. It is our expectation that this review will take place during the second year of the new Framework to safeguard the effective implementation of any review outcomes during the remaining third and fourth years of the Framework.

The main focus of the review will be the appropriateness of tolerance levels in line with developments in market conditions, consumer attitudes and energy supplier performance.

Question 10

Do you agree that the legal drafting in Annex 1 implements the policy intention proposed in this consultation? Please give reasons for your answer.

Summary of responses to Question 10

A summary of responses is provided in the table below.

Agree	Agree with caveats	Neutral	Disagree with caveats	Disagree	No response	TOTAL
8	4	1	2	1	44	60

180. Most respondents did not respond to this question. Three stakeholders who did not respond did so on the basis that they did not agree with the proposals for the post-2020 framework. One respondent agreed that the current drafting would deliver the policy intent but noted they did not support the current drafting as they did not agree with the proposed post-2020 framework.

181. Points made by those who responded to this question included the following:

- Four respondents made points relating to the Government's methodology for calculating tolerance levels. Two respondents noted that the current drafting does not specify the annual tolerance level. One respondent queried which document will set out the methodology. One respondent noted that the drafting does not specify when the formula would be run or how the key inputs would be determined.

- Three points were made regarding the definition of 'qualifying relevant premises'. One respondent flagged that it would appear to exclude SMETS1 meters that were made fully compliant after the SMETS1 end-date. One respondent felt that the definition incorrectly appears to include non-domestic premises that are outside the scope of smart meter rollout, as it includes premises that are neither domestic nor designated (i.e. smaller non-domestic) premises. The same respondent also considered that the legal drafting does not account for premises where the consumer has already refused a smart meter, which they considered could conflict with energy suppliers' General Data Protection Regulation (GDPR) obligations.

- One respondent considered it is unclear whether advanced meters which are installed in non-microbusiness premises between January 2021 and December 2024 would count towards energy suppliers' targets.

- One respondent considered that a review for 'formula issues' must be permissible if the drafting does not function as intended.

- One respondent proposed that the Government should also define a methodology for tracking energy supplier progress among specific consumer segments, such as prepayment consumers or those who require an Alt-HAN solution.

Government response to Question 10

182. We have considered all responses received in finalising the legal drafting which introduces the proposed post 2020 framework (gas supply licence condition 33A and electricity supply licence condition 39A). **This has been laid in Parliament and is published alongside this Government response document at Annex D.**

183. In response to the points raised by stakeholders, as discussed in the response to Questions 4 and 5, we will consult on the tolerance levels and associated minimum coverage level required for the new Framework in due course. Other aspects of the methodology for determining energy suppliers' targets and tolerance levels are also discussed in the response to Questions 4 and 5.

184. From a policy perspective our intention is that premises with SMETS1 meters which were made fully compliant after the SMETS1 end-date should not count as a 'qualifying relevant premises' as we consider that it is a better consumer outcome for these SMETS1 meters to be enrolled into the DCC rather than replaced. We will consider whether and how to clarify this policy before the new obligation comes into force. Any amendments proposed will be subject to consultation.

185. We agree that the drafting of 'qualifying relevant premises' should explicitly refer to domestic and designated premises and have amended the legal text accordingly.

186. Effective engagement with customers is critical to achieving market-wide rollout and in offering smart meters to their customers we expect energy suppliers to ensure they are compliant with all relevant regulatory frameworks, including the GDPR and the Privacy and Electronic Communications Regulations 2003 (PECR). Energy suppliers should be communicating with all customers to offer smart meter installations, but these communications should be sensitive to consumer preferences, including in relation to direct marketing. The Information Commissioner's Office has published a draft direct marketing code of practice to provide practical guidance and promote good practice.[40]

187. We recognise that the post-2020 framework means energy suppliers will need to engage consumers who have previously declined or not responded to the offer of a smart meter. Energy suppliers should consider appropriate re-contact strategies based on consumers' preferences, contact history and any previous reasons for refusal. As Ofgem has noted, overly repetitive and coercive approaches as opposed to tailored strategies are unlikely to be successful.[41] As noted previously, the proposed tolerance levels are intended to account for circumstances where it may not be possible to install a smart or advanced meter within the four-year framework.

188. We confirm our intention is that advanced meters which are installed in non-microbusiness, non-domestic premises after the point the new Framework takes effect will count towards energy suppliers' post-2020 targets. This is why the drafting includes reference to advanced meters which have been installed in this period pursuant

[40] See: https://ico.org.uk/about-the-ico/ico-and-stakeholder-consultations/ico-consultation-on-the-draft-direct-marketing-code-of-practice/
[41] See: https://www.ofgem.gov.uk/publications-and-updates/smart-meter-rollout-energy-suppliers-progress-and-future-plans-open-letter-2018

to electricity supply licence 39.13(b) (and the equivalent gas supply licence condition). The legal drafting does not also refer to electricity supply licence condition 39.6 (and gas equivalent), which also allows for the installation of advanced meters in non-microbusiness non-domestic premises, as this condition relates to energy suppliers' obligations to meet the current rollout duty and will no longer be applicable once the new Framework takes effect. Premises where an advanced meter was installed pursuant to electricity supply licence condition 39.6 (and gas equivalent) prior to the new Framework applying will not therefore be counted as 'qualifying relevant premises' where a smart (or advanced) meter needs to be installed as part of energy suppliers' targets.

189. In terms of tracking progress of the rollout among specific types of consumer, we consider that standard conditions 37 and 43 of the gas and electricity supply licence conditions, respectively, already allow the Secretary of State to request specific information from energy suppliers. These powers will be retained under the new Framework and we do not consider that any additional provisions are necessary. We consider further revisions to these existing provisions in the response to Question 11 below.

190. As explained in the Government response to Questions 2, 3 and 6, in light of COVID-19 we also propose to exceptionally extend the existing rollout obligations to 30 June 2021. We are legally implementing this by modifying the 31 December 2020 date in these licence conditions so that the "all reasonable steps" obligation now ends on the 'ARS Specified Date', this being 30 June 2021.

191. As a consequence of this change, we are also amending the definition of 'RSMSy'[42] in standard conditions 33A and 39A of gas and electricity supply licences, respectively. We propose that this will refer to the number of Qualifying Relevant Premises at which a Qualifying Metering System had not been installed on the day immediately preceding each Rollout Year,[43] rather than on 31 December in the previous calendar year as was proposed in the consultation.[44] We have also made changes so that the obligation in relation to any Rollout Year only applies where the Secretary of State has specified the value of (or the methodology for determining) the tolerance level for that year.

[42] RSMS stands for, in relation to Rollout Year y, the number of Qualifying Relevant Premises at which a Qualifying Metering System had not been installed by the date which immediately precedes the start date of Rollout Year y.
[43] The first Rollout Year means the 12-month period which commences on the day immediately after the ARS Specified Date, and the three subsequent rollout years apply for 12-months starting the day after the previous rollout year ends.
[44] The Government response to Question 12 sets out a further change to energy supply licence conditions in light of the extension of the existing rollout obligation to 30 June 2021.

Question 11

Do you agree with the legal drafting in Annex 2 in relation to the post-2020 reporting requirements on rollout information to be provided to the Secretary of State? Please give reasons for your answer.

Summary of responses to Question 11

A summary of responses is provided in the table below.

Agree	Agree with caveats	Neutral	Disagree with caveats	Disagree	No response	TOTAL
6	5	3	0	3	43	60

192. Most respondents did not answer this question. One stakeholder who did not respond did so on the basis that they did not agree with the proposals for the post-2020 framework. One respondent agreed that the current drafting would deliver the policy intent but noted they did not support the current drafting as they did not agree with the proposed post-2020 framework.

193. Points made by those who responded to this question included the following:

- Two respondents flagged that the licence condition should not cease to apply four years after 31 December 2020 as proposed, because if it did suppliers would not be obliged to report for 2024 in January 2025;
- Two respondents made points relating to the current 250,000 customer threshold in the licence condition. One respondent considered that this should be removed to ensure there are no market distortions. The other respondent noted that this does not reflect Ofgem's proposals to define large suppliers as those with 150,000 or more gas and/or electricity customers;[45]
- Two respondents suggested that the Government should align reporting requirements with those proposed by Ofgem.[46] Of these, one respondent was concerned that the Ofgem proposals are themselves based on the Government's consultation proposals for the post-2020 framework, which are not yet confirmed. The other respondent considered that better aligned reporting requirements would reduce the burden of reporting on small energy suppliers;
- One respondent considered that the Government should include a new licence condition providing a new 'reasonability principle' where suppliers are non-

[45] See: https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-post-2020-smart-meter-rollout-reporting-requirements
[46] Ibid.

compliant with hard targets, as this would ensure energy suppliers treat consumers fairly without unnecessary contact;

- One respondent suggested that the Secretary of State should have the power to request information from energy suppliers to understand their engagement plans and progress with specific consumer sub-groups, such as vulnerable consumers or those in the private rented sector;

- One respondent noted that the legal drafting does not specify the timeframe for energy suppliers to fulfil requests for information or the consequences of non-compliance with the reporting requirements; and

- Three respondents pointed out formatting errors in the draft legal text which led to incorrect numbering of licence conditions.

Government response to Question 11

194. We have considered all responses received in finalising the legal drafting which introduces the proposed post-2020 reporting requirements (standard conditions 37 and 43 of the gas and electricity supply licence conditions, respectively). The legal drafting has been laid in Parliament and is published alongside this Government response document at Annex E.

195. We agree that the cessation date was incorrectly drafted and have modified the legal text such that the provisions will cease to apply five years after the new Framework takes effect.

196. In response to the points made regarding the 250,000 customer threshold, as noted in the Government response to Question 8 we consider it is appropriate to retain a proportionate approach to reporting so as to not unduly burden small energy suppliers. We note that Ofgem proposed to revise its monitoring threshold to 150,000 customers in its recent consultation and our preference is to align with Ofgem. We will therefore reconsider whether the reporting threshold of 250,000 domestic customers remains appropriate ahead of the new Framework coming into place on 1 July 2021.

197. We do not consider a new ‘reasonability principle’ is justified in the specific context of the post-2020 framework, and note that Supply Licence Conditions 0 and 0A, respectively, already require energy suppliers to treat their domestic and microbusiness customers fairly.

198. As discussed in the Government response to Question 10, we consider that the reporting powers already allow the Secretary of State to request sufficient information from energy suppliers to allow Government to understand their approach to offering smart meters to specific types of consumer.

199. We acknowledge that the drafting does not specify the timeframe for energy suppliers to respond to information requests; however as is the case currently, this will be clearly set out at the point the relevant information is requested of suppliers. Any non-compliance with the licence conditions, including around provision of information to the Secretary of State, is a matter for Ofgem.

200. We accept that the consultation drafting included a formatting error. We confirm that this error has been corrected in the legal text which has been laid in Parliament.

Question 12

Do you agree with the legal drafting in Annex 6 setting out proposed consequential changes to existing licence conditions as a result of the previous amendments? Please give reasons for your answer.

Summary of responses to Question 12

A summary of responses is provided in the table below.

Agree	Agree with caveats	Neutral	Disagree with caveats	Disagree	No response	TOTAL
6	1	1	0	2	50	60

201. Most respondents did not answer this question. Four stakeholders who did not respond did so on the basis that they did not agree with the proposals for the post-2020 framework. One respondent agreed that the current drafting would deliver the policy intent but noted they did not support the current drafting as they did not agree with the proposed post-2020 framework.

202. Two respondents highlighted what they considered to be a misalignment between the current “all reasonable steps” obligations in energy supply licence conditions 12 and 33 (electricity) or 39 (gas), and the proposed new Framework. They explained that where they had not been able to install a smart or advanced meter because it was unreasonable to do so, the new Framework would still count such premises as a Qualifying Relevant Premises where a Qualifying Metering System has not been installed. This could result in the supplier complying with the ARS licence conditions but breaching the new obligations if not installing smart meters in such premises took them over the tolerance level. They considered that amendments would be needed to the ARS licence conditions to remove this inconsistency and clarify what obligations apply after 2020.

Government response to Question 12

203. We have considered all responses received in finalising consequential changes to the legal drafting. The legal text has been laid in Parliament and is published alongside this Government response document in Annex F.

204. We do not agree that the current ARS framework is misaligned with the proposed new Framework, primarily as the new Framework will largely replace that which applies currently following the ARS Specified Date. While some aspects of ARS framework will be retained, in particular the NRO, we do not consider that this presents an inherent regulatory conflict. In particular, the tolerance levels are intended to account for circumstances where it may not be possible to install a smart or advanced meter within the four-year framework. Ofgem will consider whether energy suppliers have

complied with their obligations under the new Framework in line with their published enforcement guidelines.

205. In light of the extension we are making to the existing rollout obligations due to COVID-19, we are also making a consequential amendment to the changes we had proposed to standard conditions 42 and 48 of the gas and electricity supply licence conditions, respectively. We are changing the reference to 'on or after 1 January 2021' in 42.9(b)(iii) (gas) and 48.9(b)(iii) (electricity) to 'after the ARS Specified Date'.[47]

206. We will also consider whether other aspects of the regulatory framework that are linked to the current 31 December 2020 date need to be amended to reflect the extension to the current framework. We will consult on any proposed changes as necessary, in due course.

[47] Please note that we are making consequential amendments to existing ARS and NRO exceptions in 33.5 and 33.12 (gas) and 39.5 and 39.12 (electricity) to refer to the ARS Specified Date.

Data Communications Company (DCC) Charging

207. Questions 13 and 14 of the consultation published on 16 September 2019 asked respondents for views around changes to DCC charging. Responses received to these specific questions were analysed separately. A Government Response was published on 26 March 2020.[48]

208. The table below sets out the questions included in the consultation document for information.

QUESTIONS	
Q13	Do you agree with the proposed changes to DCC charging arrangements in the period after end-2020? Please give reasons for your answer.
Q14	Do you agree that the legal drafting in Annex 3 implements the policy intention? Please give reasons for your answer.

[48] https://smartenergycodecompany.co.uk/latest-news/beis-government-response-to-consultation-on-code-and-licence-changes/

This section summarises and addresses the responses received in relation to Questions 15-17 as set out in the consultation document published on 16 September 2019.

QUESTIONS	
CONSUMER RELATED ACTIVITIES	
Q15	What types of co-ordinated consumer engagement activities are necessary in the period after 2020 to support delivery of a market-wide rollout? Please provide your rationale to support your suggestions.
Q16	What policy amendments or new initiatives do you consider will be required to ensure that the consumer benefits of smart metering are sustained? Please provide evidence to support your views.
OTHER POLICY INCENTIVES	
Q17	What other policy measures should the Government consider in order to complement the proposed market-wide rollout obligation? Please give a rationale and evidence to support your suggestions.

Co-ordinated Consumer Engagement Activities

Question 15

What types of co-ordinated consumer engagement activities are necessary in the period after 2020 to support delivery of a market-wide rollout? Please provide your rationale to support your suggestions.

Summary of responses to Question 15

209. A total of 43 respondents provided a response to this question including 15 energy suppliers, six trade bodies and three consumer groups

210. The majority of respondents supported a continued role for a Central Delivery Body (CDB) to undertake co-ordinated consumer engagement activities to support the smart meter rollout beyond the end of 2020. Over half of these respondents felt that Smart Energy GB was well placed to continue as the organisation responsible for delivering these activities. In particular, respondents noted that Smart Energy GB has extensive campaign experience and has effectively managed public affairs for the smart metering Programme, including through partnership activity. A minority of respondents did not agree that Smart Energy GB should continue to lead co-ordinated consumer engagement activity beyond 2020, stating that their activities have not been cost-effective so far and that an organisation with a different skillset is required.

211. Respondents offered a number of suggestions as to how co-ordinated consumer engagement activities should evolve to meet the needs of the rollout post-2020, many of which mirrored those set out in the consultation document.

- **Strengthening public advocacy and addressing consumer concerns:** 14 respondents (of which five were energy suppliers and four were trade bodies) were supportive of this activity especially the need for a continued co-ordinated Public Relations (PR) and media function;

- **Greater use of co-ordinated local engagement approaches:** 12 respondents (of which seven were energy suppliers and two were consumer groups) suggested that this activity would be appropriate for the period beyond 2020. In their responses, six respondents highlighted the Smart Meter Local Consumer Engagement Pilot (planned for the beginning of 2020)[49] stating that they are interested to see the results of this co-ordinated activity and that learnings should be applied going forward;

[49] The Local Consumer Engagement Pilot launched in February 2020 and was designed to run until May 2020. However, in light of the coronavirus (COVID-19) pandemic, energy suppliers and partner organisations took the decision to suspend activity with the intention of resuming trials at an appropriate later date.

- **Increased focus on vulnerable and hard to reach consumers**: Nine respondents (of which two were energy suppliers and two were consumer groups) agreed that this activity should be prioritised going forward, suggesting Smart Energy GB should increase its focus on supporting consumers in vulnerable circumstances, including those in fuel poverty, and those encountering additional barriers when engaging with their energy supplier;

- **Initiatives to increase access to and engagement with energy efficiency feedback informed by smart meters:** Six respondents (of which two were consumer groups) noted the importance of this activity going forward, stating that Smart Energy GB should increasingly prioritise activities that promote consumer behaviour change including the ongoing use of smart meters and smart meter data to help consumers make informed decisions about their energy use; and

- **Improved collaboration and information sharing:** Four respondents (three consumer groups and one energy supplier) were supportive of this activity, suggesting that there should be greater visibility of energy supplier rollout plans to enable local and national organisations to give more bespoke advice to customers about when they are able to get a smart meter.

212. Respondents to this question also outlined a number of specific suggestions for consumer engagement activities for the period beyond 2020. Suggestions included:

- **For the CDB** - to communicate cross-supplier offerings that represent a sufficient proportion of the market; to focus on driving uptake and appointment bookings and less on awareness raising; to run a concerted programme engaging private landlords and private tenants to promote uptake; and to regularly engage with wider industry and innovators to ensure they are fully informed of industry workings as well as new offerings for customers;

- **For Government and Ofgem** - to play more of a role in promoting the benefits of smart meters; for the Secretary of State to write to all consumers to highlight why smart meters are essential to the digitisation of the energy system; for Government to encourage public sector employees (and public sector bodies themselves) to take up the offer of smart meters, in an aligned commitment to achieving net zero by 2050; and for energy suppliers and Ofgem to develop practical suggestions about how energy related topics should be included in wider national or local authority digital inclusion strategies; and

- **Other suggestions** - electric vehicle manufacturers should play a role in promoting services that can only be delivered through having a smart meter; and that a centrally run contact centre should be created to receive eligible referrals (such as those who are eligible for Warm Home Discount or on the Priority Services Register) before allocating these customers to the most relevant local area-based installation programme for them.

213. A few respondents also proposed that Smart Energy GB's governance be reviewed, and it was also suggested that the mechanism by which Smart Energy GB is funded should be re-evaluated.

Government response to Question 15

214. The consultation set out Government's view that there remains a need for co-ordinated consumer engagement activity beyond 2020, to encourage consumers to accept smart meters and also support them in changing their behaviour. There was strong support from respondents on this point, with many outlining their view that this activity should continue to be carried out by a CDB. In light of this, we reaffirm our view that consumer engagement will benefit from support by a central body, to co-ordinate and ensure consistency of messaging to consumers across Great Britain. With Government confirming the intention to implement a four-year policy framework beyond 2020 to support the delivery of market-wide rollout, we expect there to remain economies of scale from coordinated consumer engagement campaigns, that optimises marketing costs for energy suppliers and avoids duplication of messaging by multiple parties.

215. Over half of respondents felt that Smart Energy GB was well placed to continue delivering these activities, whilst a minority of respondents felt that Smart Energy GB did not have the necessary skills and expertise to deliver the consumer engagement activities required beyond 2020. The Government has carefully considered the comments and evidence provided by respondents. It is our view that Smart Energy GB is well placed to deliver co-ordinated consumer engagement activities in support of the rollout, and that it would be neither appropriate nor cost-effective to establish a new organisation to take responsibility in this area under the new Framework. Therefore, the Government has concluded that Smart Energy GB should continue as the not-for-profit body responsible for leading co-ordinated consumer engagement activities beyond 2020 to support the delivery of a market-wide smart meter rollout, subject to the organisation evolving to focus on supporting the next phase of the rollout.

216. As we enter the next phase of the rollout there will be a need to adapt existing consumer engagement activities and develop new approaches. Respondents to the consultation set out a clear expectation that Smart Energy GB's campaign activities will need to evolve consistently in line with the next phase of the rollout to support consumers and energy suppliers. We agree with this view and note that a number of the suggestions raised by respondents (see paragraph 211) mirrored those set out in the consultation document.

217. In particular, the Government expects that in the period post-2020, the activities and focus for Smart Energy GB in the following areas will continue and/or be strengthened:

- PR and media handling for the campaign should continue in order to build consumer acceptance of smart meters and counter inaccurate reporting;
- To tackle rejection and helping consumers overcome barriers to acceptance;
- Future campaign activity should increasingly be oriented toward demand generation, recognising that awareness is currently high and activity in this area can therefore be reduced to that necessary to maintain current levels;
- A continued focus on awareness raising and information provision does however remain appropriate for certain consumer segments, including microbusinesses and more vulnerable consumer groups;

- Where appropriate, to facilitate practical collaboration across energy suppliers where there are potential efficiencies and consumer benefits arising from co-ordinated activity;

- Increased focus on assisting more vulnerable, less engaged and harder to reach consumers; and

- Initiatives to promote consumer behaviour change informed by smart meter data.

218. As future consumer engagement tasks change and there is a shift away from awareness raising activities, it will be necessary for Smart Energy GB to also evolve. Guided by relevant analysis and insight, we would expect Smart Energy GB to gradually move away from large scale marketing campaigns, towards targeted and tailored engagement with specific segments of consumers and a particular focus on more vulnerable and harder to reach consumer groups.

219. It is also evident that some of these activities will require significant change in the focus of the organisation. In particular, a new emphasis on activities that support co-ordination between energy suppliers in areas where there are opportunities for efficiencies and greater smart meter uptake, will require Smart Energy GB to adjust and re-focus its capability. Smart Energy GB will need to ensure that they have the skills and expertise within the organisation to facilitate joint initiatives and support operational delivery, alongside their existing PR and marketing activities.

220. To support this transition, and recognising that the nature of the consumer engagement task needs to change to support the rollout of smart meters post-2020, the Government is consulting[50] on amendments to the energy supply licence conditions[51] relating to Smart Metering Consumer Engagement.

221. In addition, as the focus of consumer engagement shifts from broad messaging to engaging specific consumer groups (e.g. landlords and tenants) there may be efficiencies associated with co-ordinated activity. For example, local, targeted activity has the potential to support higher levels of smart meter coverage, whilst delivering this in a co-ordinated manner may result in efficiency savings. We therefore propose introducing a new requirement to enable Smart Energy GB to support increased co-ordination and collaboration between energy suppliers.

222. In order to ensure that the organisation is able to draw on relevant expertise and can operate effectively to meet its new objectives, we propose amending Smart Energy GB's governance arrangements. The suggested changes aim to rebalance Smart Energy GB's Board, by reducing its overall size and restructuring its membership to ensure an appropriate balance between Directors nominated by energy suppliers and those recruited to represent consumer interests. We also propose to empower Smart Energy GB's Board, enabling it to set the strategic direction more effectively for co-ordinated activities going forward and give it clear responsibility for the Performance Management Framework.

223. As mentioned in paragraph 214, a few respondents also called for a review of the mechanism by which Smart Energy GB is funded. Ofgem is consulting on a new smart

[50] https://www.gov.uk/government/consultations/smart-meter-coordinated-consumer-engagement
[51] Electricity Standard Supply Licence Condition 45 and Gas Standard Supply Licence Condition 39.

metering reporting framework[52] which proposes a lower threshold of suppliers with 150,000 or more customer accounts. Other regulatory thresholds, such as those for Energy Company Obligation (ECO) and Warm Home Discount (WHD) schemes are also coalescing around this mark. The Government is therefore proposing to lower the threshold for relevant energy suppliers to fund Smart Energy GB's domestic campaign activities from 250,000 to 150,000 gas or electricity (or both) domestic consumers, bringing this in line with wider industry developments.

Conclusion

The Government therefore concludes that Smart Energy GB will continue as the body responsible for leading coordinated consumer engagement activity, subject to consulting on amendments strengthening its governance framework, revising its funding model and updating its objectives for the next phase of the rollout.

We invite stakeholders to consider the full proposals set out in the consultation document published alongside this response. [53]

[52] See: https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-post-2020-smart-meter-rollout-reporting-requirements
[53] https://www.gov.uk/government/consultations/smart-meter-coordinated-consumer-engagement

Embedding Consumer Behaviour Change

Question 16

What policy amendments or new initiatives do you consider will be required to ensure that the consumer benefits of smart metering are sustained? Please provide evidence to support your views.

Summary of responses to Question 16

224. A total of 36 respondents replied to this question. A number of stakeholders suggested potential policy changes to help embed consumer benefits. Some respondents argued that policy changes were necessary to support consumer benefits realisation, whilst others proposed areas for consideration but with limited evidence on the extent to which further measures were required.

225. Most energy suppliers did not offer specific responses to this question and, of those that did, a few expressed the view that the focus of the rollout should be on the installation of smart meters and that no further policy initiatives to deliver consumer benefits should be considered until the rollout is complete.

226. Other respondents suggested that potential policy changes might help embed consumer benefits. These responses included the following:

- Three respondents suggested introducing measures to support consumers when they switch supplier or move home to ensure they can use their smart meters to help reduce energy usage. Suggestions included requirements for energy suppliers to provide relevant information to consumers in these situations on how their smart meters and IHD work. It was argued that this would ensure that consumers who were not present at the initial smart meter install at a property, and therefore did not receive an IHD demonstration or energy efficiency advice, had the information necessary to take control of their energy use;

- Several respondents suggested Government should encourage the development and uptake of additional energy consumption data feedback measures, beyond the IHD, to encourage ongoing engagement with energy usage and drive behaviour change to reduce energy consumption. Two energy suppliers proposed that the IHD mandate should be reviewed again to allow suppliers to offer consumers alternative feedback routes, such as apps, instead of the IHD;

- Several respondents highlighted the importance of innovations that use smart meter data in supporting the development of demand side flexibility, suggesting that this may deliver benefits to consumers through reduced system costs;

- Three respondents said there was a need to provide additional support to vulnerable consumers, to support their realisation of smart metering benefits. Respondents acknowledged ongoing work in this area but argued that further

action would be required to meet the needs of consumers who face barriers to engagement with energy usage. One respondent emphasised the benefits of smart metering for prepayment customers and stated that completing the transition to smart prepayment should be a key priority for Government; and

- A few respondents proposed mandating IHDs or similar alternatives in the non-domestic sector to increase business engagement with energy usage and deliver associated consumption reduction benefits.

Government response to Question 16

227. It is vital that the benefits of smart metering are embedded and that consumers are able to continue to realise these benefits beyond the first installation of a smart meter in their property. We have considered the suggested areas of focus put forward in response to the consultation and the following section sets out areas that Government will prioritise to support the delivery of consumer benefits, and highlights where work is already underway to support these priorities.

228. Some respondents argued that no further policy interventions to deliver consumer benefits should be considered until the rollout is complete. There is substantial evidence demonstrating the effectiveness of the existing policy framework, which has already delivered significant benefits to consumers.[54] However, we do consider that further policy measures could be required to embed the benefits of smart metering, including for specific groups of consumers. Further interventions may also be needed to support the development of innovative products and services using smart meter data and so that these are made available to deliver additional benefits to consumers. The delivery of consumer benefits will also support the rollout by ensuring a positive consumer experience and encouraging uptake among those consumers who have not yet had smart meters installed.

Change of supply and occupancy

229. Change of supply and occupancy events were suggested by several stakeholders as areas where Government should take steps to support the realisation of consumer benefits by customers with smart meters. We consider it vital to ensure that consumers who switch energy supplier and/or move property are fully able to use smart meters and the IHD to manage and reduce their energy usage. This is particularly relevant to consumers who move into properties with smart meters already installed, as they may not have received energy efficiency advice or a demonstration of how to use smart meters and the IHD as part of the initial installation or from their previous residence.

230. Government will consider this area further and we expect to bring forward specific proposals, in due course, to support smart metering customers who switch energy supplier or move property.

Energy data feedback and innovation

231. Several respondents highlighted the opportunities for benefits to be delivered to consumers through innovative products and services, such as smartphone apps, that use energy consumption data from smart meters. These innovations could help support,

[54] The Consumer Benefits Stocktake Report, published alongside the consultation document, sets out in detail the consumer benefits of the smart meter rollout, how these are being realised and plans in place to ensure their ongoing delivery. See "Smart meters: progress on realising benefits for consumersv" (2019).

and potentially increase, the realisation of consumer benefits from smart meters. Government recognises that increasing the availability of such products and services could provide alternative ways to the IHD for consumer access to their smart metering data, support them in interpreting this data to better manage their energy usage and potentially offer more tailored energy management services.

232. The Government is supportive of energy suppliers offering consumers feedback tools, such as smartphone apps, in addition to the IHD. However, we are committed to maintaining the current IHD mandate which was reconfirmed in 2019[55] and have no plans to remove the requirement for energy suppliers to offer consumers an IHD as part of their smart meter installation. Our position in 2019 was informed by the evidence of trials of energy feedback apps conducted as part of BEIS' IHD alternatives derogation process. The trials found that the apps were likely to be less effective in reducing household energy consumption than IHDs overall. However, the trials also found that some aspects of the apps were valued by consumers and we are committed to continuing to monitor how the market develops.

233. As the rollout of SMETS2 meters continues and as enrolment of SMETS1 meters into the DCC is completed, we expect interest in the opportunities offered by direct access to energy consumption data to grow, as commercial incentives to develop new products and services become more favourable. Energy feedback innovation remains an important part of the Government's strategy to unlock further benefits of smart meter data for consumers and support environmental behaviour change. The £6.25 million Smart Energy Savings (SENS) competition, which BEIS launched in February 2019, is funding the development and trialling of innovative feedback tools, which can help households manage their energy use through tailored advice, analytics and new functionality.[56] The research insights gained through the competition will provide evidence on the potential for products that can deliver savings in addition to those currently enabled by the smart meter rollout. The research will also explore consumer appetite for these types of products, gathering crucial evidence on this new and emerging form of domestic technology.

Supporting prepayment and vulnerable consumers

234. One stakeholder highlighted the transformative impact of smart metering on the experience of prepayment consumers, through reducing the risk of self-disconnection and enabling consumers to top up remotely without leaving home. The benefits of smart prepayment meters have been particularly helpful to consumers in the context of COVID-19. In light of this, it is even more important that energy suppliers, as they remobilise smart meter installations, prioritise their smart service to prepayment customers so that they can realise the significant benefits of having a smart meter as soon as possible. Government continues to work closely with industry to support the ongoing transition to the rollout of SMETS2 meters in prepayment mode, including in CSP North.

235. Several respondents suggested that further work may be required to ensure that vulnerable consumers are supported to engage with and benefit from smart metering. The Government has always taken an "inclusive-by-design" approach to the rollout of smart meters, taking steps to ensure that the needs of consumers in vulnerable situations are met and eliminating barriers to them realising the full benefits of smart

[55] See: Alternatives to smart meter In-Home Displays (IHDs): trials and conclusions.
[56] See: Smart Energy Savings (SENS) competition.

metering. For example, energy suppliers are required by the SMICoP to take steps to identify vulnerable consumers and take into account their needs. Energy suppliers are also required to offer IHDs that meet accessibility needs. Whilst these measures help to ensure that vulnerable consumers realise the benefits of smart metering, we recognise that further steps may be required to ensure that vulnerable consumers continue to be supported as we move into the next phase of the rollout.

236. As set out in the Government response to Question 15, we expect Smart Energy GB's future activities to include an increased focus on vulnerable, disengaged and hard to reach consumers. In addition, BEIS has commissioned new, large-scale qualitative research into the impacts of smart metering on consumers in vulnerable circumstances.[57]

237. Government will continue to work with industry and consumer groups to ensure the rollout delivers benefits for vulnerable customers, and the new research will lay the groundwork for ongoing work to maximise the benefits for these consumers as the rollout continues.

Non-domestic consumer benefits

238. Some respondents proposed the introduction of mandatory energy feedback mechanisms, either an IHD or alternatives, in the non-domestic sector. The non-domestic consumer offer is an area of focus for the Government and activity is already underway to support benefits realisation. BEIS' Non-Domestic Smart Energy Management Innovation Competition (NDSEMIC)[58] piloted a range of energy feedback tools to help smaller non-domestic sites in the retail, hospitality and schools sectors to reduce their energy consumption and better manage costs, and we are considering how best to unlock non-domestic consumer access to meaningful data feedback. We expect the NDSEMIC evaluation will be published later in 2020.

Conclusion

Government will continue to prioritise the realisation of consumer benefits from smart metering and support innovation which improves consumer experience. Future policy will be informed by our ongoing monitoring of evidence of consumer experiences, including specifically for vulnerable and prepayment consumers, and emerging innovations that use smart meter data.

As outlined above, we expect to bring forward proposals in due course to support domestic customers when they change energy supplier or move home.

[57] Due to COVID-19 this research is currently paused in line with guidance from authorities on research practice in the UK.
[58] See: Non-Domestic Smart Energy Management Innovation Competition: research and evaluation.

Other Policy Incentives

Question 17

What other policy measures should the Government consider in order to complement the proposed market-wide rollout obligation? Please give a rationale and evidence to support your suggestions.

Summary of Responses to Question 17

239. A total of 41 responses were received to this question,[59] with a variety of stakeholders including energy suppliers, trade associations, network operators, consumer groups, delivery partners and technology companies suggesting a range of potential policy measures. The consultation requested that respondents give as much evidence and detail as possible in their answers, by explaining:

- How the measures would be implemented and enforced;
- Their impact against a range of criteria; and
- Whether the measures would apply now or at a later stage (whether before or after end-2020).

240. Respondents generally provided limited details against these specific points. The most common suggestions included the following:

- Energy suppliers and others recommended various forms of mandating smart meters, either in general (with or without providing consumers with the ability to opt-out) or for certain sections of the market. Examples of the latter included:
  - In the non-domestic sector;
  - In public buildings, local authority housing and/or premises managed by housing associations;
  - Obligations on private landlords to install a smart meter before a property can be let and/or when a change of tenancy occurs; and
  - In premises where energy theft has occurred.
- Energy suppliers suggested removing the ARS element of the NRO order to remove the ability for consumers to opt-out of a smart meter installation where a new connection is installed, or an end of life legacy meter needs to be replaced;
- Some respondents considered that the consumer should be able to request that a meter is not connected to the DCC;
- Obligations requiring property developers to ensure smart meters can be installed in new build premises;

[59] We have also taken into account relevant information respondents provided in response to other questions, or where it was not specified that the information provided was in response to Question 17. Energy suppliers have also raised a number of these options through other routes such as industry workshops and Ministerial correspondence.

- Obligations to ensure that where non-energy supplier market participants install meters (for example, network operators) these are smart meters;

- Suppliers suggested that consumers' access to Government energy efficiency funding or other financial support to help them with their energy bills (such as WHD, the Energy Company Obligation, or Feed-In Tariffs) should be conditional on having a smart meter installed;

- The presence of a smart meter should be included in either the Standard Assessment Procedure (SAP) used for calculating an Energy Performance Certificate (EPC), or in order to receive a certain EPC band. Some respondents also suggested that consumers should only be able to request an EPC if their property has a smart meter installed or if they could demonstrate that they had either requested or accepted an offer to have a smart meter installed;

- Some energy suppliers suggested that it should be compulsory to have a smart meter installed at a property in order to receive funding associated with electric vehicles or their charging infrastructure;

- Several respondents, including energy suppliers, suggested that Government should introduce a consumer surcharge for customers who do not accept a smart meter, to reflect the increased costs associated with serving customers with traditional meters; and

- One energy supplier recommended Government consider the approach taken in the Netherlands, whereby consumers would be charged for a smart meter installation if it does not take place within a specific timeframe or before a specific deadline.

241. Respondents also made a number of suggestions for non-regulatory interventions which could accelerate the rollout. These included:

- Significant changes to the branding and promotion of the rollout, emphasising the value to individual consumers and the link to the Government's target of net zero emissions by 2050;

- Government communications to closely mirror these themes, as well as publishing clear guidance on smart meters and microgeneration and any related technical issues;

- Introduction of regional rollout campaigns and strategies, similar to those employed in European Union member states; and

- Consumer benefits, and therefore consumer acceptance, could be improved by allowing wider access to the DCC to encourage innovation in smart home technologies.

Government response to Question 17

242. We have considered the proposals put forward in responses to the consultation, and this has been supplemented by consideration within the BEIS Smart Metering Implementation Programme team, (both prior to and in parallel to the consultation itself) of potential policy options. As a result of this work, the Government has identified a number of measures that we will take forward and these are discussed in more detail below. A number of these will require further consultation, which we have indicated.

243. We consider the proposed package of measures has the potential to positively impact smart meter uptake in a significant number of premises while delivering the key principles for the post-2020 policy framework:

- Encouraging consumers to benefit from smart meters;
- Delivering a market-wide rollout as soon as practicable;
- Normalising smart meters so they are the default meter used in Great Britain; and
- Giving certainty to the whole sector to invest and plan, ahead of and beyond 2020.

244. This section considers potential measures under the following broad themes:

- Measures relating to consumer choice, in general and in certain circumstances (paragraphs 245 to 260);
- Financial means of incentivising consumers to take-up smart meters (paragraphs 261 to 268);
- Measures related to wider buildings policy (paragraphs 269 to 278);
- Incentivising smart meter uptake in rented and public sector premises (paragraphs 279 to 287); and
- Synergies with other energy policy areas (paragraphs 288 to 301).

A summary of the measures proposed in each theme is set out in Table 3 below.

Table 3: Summary of Policy Measures

Theme	Policy measure
Measures relating to consumer choice	We will consult on amendments to energy supplier licence conditions to require that a smart meter be installed where a meter needs replacing after energy theft has occurred. We will consider making smart meter installations mandatory where an existing meter reaches the end of its operational lifetime as a potential measure to be introduced later in the rollout, subject to improved rates of installation and operational fulfilment by energy suppliers
Financial incentives	We consider it is reasonable for energy suppliers' tariffs to reflect the cost savings that smart meters offer. However, in our view energy suppliers can already deliver this without additional regulation.
Wider buildings policy	We will produce improved guidance to developers on making provision for smart metering equipment when designing buildings in England. We will also bring forward proposals to ensure that where third parties install meters in new build premises, they are required to install smart meters. We will explore various ways in which the benefits of smart metering could be better reflected on EPCs and the underlying assessment methodologies. We will work with industry to consider how SMETER technologies could be integrated into the calculation of more accurate EPC scores in the future. We will also explore other applications as they become apparent such as 'pay for performance' solutions for the successors of current energy efficiency schemes such as ECO.
Rented and public sector premises	We will consider how to clarify the rights of tenants and landlords regarding smart meter installations, and the role of the private rented sector in supporting the rollout. We will consider exploring regulatory options to ensure that all eligible private rented properties have smart meters installed, subject to improvements in energy suppliers' operational fulfilment and the resolution of technical issues. We consider smart meters should become the norm across the public sector estate and will explore what further steps are needed to deliver this objective.
Synergies with other policy areas	From October 2020, consumers who receive the Pension Credit Guarantee Credit will be informed of the potential benefits of smart meters in the letter confirming their eligibility for the Warm Home Discount. We will consider how the implementation of future home energy retrofit schemes can support the smart meter rollout. We will explore how to require the installation of a smart meter ahead of or as part of the installation of an EV chargepoint. We will explore how to move away from deemed export payments under the Feed-In Tariffs scheme, with any changes subject to further consultation. We will consider the role smart meters can play in maximising the flexible potential of heat pumps and mitigate their potential impact on the electricity system.

Measures relating to consumer choice

245. To tackle the consumer acceptance challenge, several energy suppliers called for BEIS to introduce an obligation on all consumers to accept a smart meter if the ARS framework were to be removed. They argued that this policy change would drive uptake in two ways:

> (a) It would enable energy suppliers to communicate the mandatory nature of the rollout and the consequences for consumers of refusing a smart meter, which may increase the number of consumers booking an installation and reduce the level of failed installations for customer reasons; and
>
> (b) It would provide a mechanism for energy suppliers to override consumer rejection and force an installation under warrant.

246. On the first route (a), we note that energy suppliers can and already do use assumptive language in their communications. This has seen some success in emphasising that the rollout is an essential upgrade to support the energy system in Great Britain and implies that all households will eventually get a smart meter. However, based on experiences in other countries we are concerned that the absolute removal of consumer choice at this juncture would not lead to increased uptake. Instead we consider that consumer choice is fundamental to successfully delivering the benefits of smart metering and the Programme should be predicated on as much consumer discretion as possible, whilst recognising that it is better for all consumers to move as fast as possible to a smart energy system.

247. On the second route (b), we consider that installing smart meters under warrant, which would effectively force these consumers to accept smart meters, would risk having a significantly negative effect on the customer journey and could lead to a consumer backlash which would undermine delivery of the programme's benefits. The quality of energy suppliers' customer journeys throughout the booking and installation process is of paramount importance to ensure consumers remain protected and have full access to the wide range of benefits offered by smart meters.

248. As described in the response to Questions 2, 3 and 6 we consider that there is significant room for energy suppliers to improve their interactions with consumers and drive take-up of smart metering. Government-led benchmarking with energy suppliers in 2019 on the maturity of their consumer engagement and operational fulfilment showed significant variability between their performance across the consumer journey. All energy suppliers can do more to remove friction from the consumer journey to drive the uptake of smart meters.

249. Furthermore, consumer research by Smart Energy GB shows that consumer attitudes are flexible and not strongly held, with a significant proportion of take-up coming from consumers who previously say they are indifferent or unlikely to get a smart meter.[60] With well-designed consumer engagement activities, energy suppliers can (and do) achieve installations with more passive consumers.

250. For these reasons, we do not propose introducing a legal obligation on consumers to accept a smart meter in response to the consultation. We consider these issues also preclude mandating smart meters at this stage in some of the specific circumstances

[60] Smart Energy GB, Re-contact survey – wave 6, November 2019 (unpublished).

suggested by stakeholders, including in the non-domestic sector, in local authority or social housing properties, or when a property is sold.

251. However, we acknowledge that in certain specific circumstances – where it is justified and there is limited direct consumer impact – it may be appropriate to remove consumer choice. Subject to energy suppliers making sustained progress in improving operational performance and delivering consistent consumer journeys, Government intends to consider other measures such as mandating smart meter installations for replacement connections where a meter reaches the end of its operational lifetime. These are discussed in more detail below.

252. In addition, while we are not proposing to mandate installation in social housing premises, we are working with Smart Energy GB to explore opportunities for engagement with social housing associations to encourage uptake of smart metering among social housing tenants. This forms part of the targeted and tailored engagement activities we expect Smart Energy GB to undertake with certain sectors and with specific consumer groups, in particular more vulnerable and harder to reach customers.

Domestic replacement connections

253. Several respondents, including energy suppliers, suggested that the government should consider making smart meter installations mandatory in instances where an existing meter reaches the end of its operational lifetime. We agree that in such cases the removal of consumer choice would not be detrimental to the wider consumer experience. In these instances, energy suppliers are already obligated to gain access to the premises to change an end of life meter in order to protect energy supply and public safety and have existing powers to gain access to do so.

254. Due to the ongoing progress of the smart meter rollout, traditional meter types within Great Britain and elsewhere in the international market are expected to be phased out by manufacturers, further reducing the need for mandatory regulations to be introduced. In practice, energy suppliers may only be able to offer a smart metering system for new and replacement connections in the future anyway.

255. However, subject to further normalisation of smart meters through improved rates of installation and operational fulfilment by energy suppliers, we will give further consideration to this approach as a potential measure to be introduced later in the rollout. Any measures introduced would need to include safeguards to ensure that properties that are not eligible for smart meters are not adversely affected by the obligation.

256. Some respondents, including energy suppliers, also suggested reducing the asset life of existing traditional meters and mandating replacement smart meters through NRO. While we will explore the possibility of mandating smart meter installations where a metering asset reaches the end of its operational lifetime, the potential impact on contracts between Meter Asset Providers and energy suppliers could increase costs in the system. In our view this outweighs the benefit of the option of reducing the asset life of existing traditional meters.

Energy theft obligation

257. Some energy suppliers suggested that smart meters should be installed where a meter needs to be replaced due to tampering connected to energy theft at domestic and non-

domestic premises. Energy theft costs UK consumers £440 million a year and 150,000 suspected cases of energy theft are investigated per year.[61] According to the latest Programme Cost Benefit Analysis published in 2019, there is evidence from industry to suggest that smart meters could reduce the incidence of energy theft by as much as 20-33%.[62] The Government will therefore consult on making changes to energy supplier licence conditions to require that a smart meter is installed where energy theft has occurred, and the energy supplier is obliged to replace the meter due to damage incurred through illegal tampering.

Operating smart meters in traditional mode

258. Several respondents suggested that to overcome consumer acceptance issues, the Government should introduce an obligation for consumers to accept a smart meter but have the option to request that the smart functionality is not enabled (or not implemented in full), allowing the meter to operate in traditional mode and not transmit usage data via the DCC.

259. We consider this approach would be technically complex to implement and would potentially have limited impact as it may only appeal to a relatively small proportion of consumers, i.e. those who have specific concerns regarding smart metering that can be addressed in this way. In our view these considerations outweigh the potential benefit of implementing this option and we do not propose to take it forward.

260. As we noted in the consultation, we acknowledge energy suppliers will face delivery challenges, including those relating to consumer acceptance, which is why in the overall post-2020 regulatory framework we plan to include tolerance levels alongside the targets. This approach means energy suppliers are not required to install smart meters in all premises or develop technical solutions for all scenarios.

Financial incentives and similar interventions

261. Some respondents suggested that consumers should be incentivised to install smart meters either through one off payments or access to lower tariffs exclusively for customers with smart meters. We consider it is appropriate that tariffs reflect the cost savings that smart meters offer energy suppliers, but in the Government's view energy suppliers already have the capability to deliver this incentive without the need for additional regulation: several energy suppliers have already made their most competitive tariffs contingent on the consumer having a smart meter or accepting a smart meter installation within a specific timeframe. Some energy suppliers have also introduced a charge if a consumer refuses the offer of a smart meter on replacement of their old gas or electricity meter; we consider such a charge can be reasonable, for example, if a non-standard metering service is requested by the consumer where a smart meter could be deployed.[63]

262. Looking ahead, we would expect that more energy suppliers will develop and offer innovative tariffs enabled by smart meters as coverage of smart metering increases and other smart technologies become commonplace. Elective half-hourly settlement already enables energy suppliers to offer innovations such as time of use tariffs which encourage more flexible use of energy. Ofgem's market-wide half-hourly settlement

[61] https://www.stayenergysafe.co.uk/stories/energy-theft-costs-us-all/
[62] https://www.gov.uk/government/publications/smart-meter-roll-out-cost-benefit-analysis-2019
[63] For the avoidance of doubt, we do not consider that, where permitted, an advanced meter installed in accordance with energy suppliers' licence conditions would constitute a non-standard metering service.

Programme will build on this, ensuring that electricity suppliers and other retailers face the true costs of serving all of their customers, further incentivising the development and offering of new tariffs and services. Ofgem's most recent analysis, published in April 2020, indicates that it is a matter of 'how and when, not whether' to introduce the reforms.[64]

263. In addition, the BEIS Smarter Tariffs – Smarter Comparisons project is funding the development of tools that help consumers compare smart meter-enabled tariffs (including time of use tariffs, export tariffs and tariffs relating to electric vehicles).[65] The project started in May 2020 and will help demonstrate:

- How tariffs can be compared in a smart energy system which offers consumers a greater range of products and services, including dynamic pricing;
- How to drive consumer engagement with smart tariffs and empower consumers to make informed decisions; and
- How smart meter data can be integrated into comparison tools to improve the consumer experience and the accuracy of comparisons.

264. Several respondents, including energy suppliers, suggested that consumers who choose to continue being served with a traditional meter where a smart meter could be deployed should be charged a surcharge set by the Government. It was suggested that this would reflect the increased costs to serve of these consumers compared to those with smart meters. Doing so would require the Government to take primary powers and we do not intend to pursue this approach while energy suppliers still have capacity to significantly improve their approaches to consumer engagement and operational fulfilment. Moreover, as noted above, some energy suppliers are already making their most competitive tariffs contingent on a smart meter or have introduced a charge for installing a traditional meter where a consumer refuses the offer of a smart meter. We consider these are reasonable approaches that reflect the differences in the cost of serving smart and non-smart consumers.

265. Some respondents suggested that consumers should be obligated to accept a smart meter installation in order to benefit from the default tariff cap. While this option could improve uptake of smart meters, this proposal would also run counter to government policy to protect consumers on standard variable tariffs from unfair pricing, in order to encourage a more competitive and efficient market, by potentially presenting an additional barrier to consumers' eligibility for the protection afforded them by the default tariff cap.

266. Some respondents suggested that differential network or DCC charging should apply for consumers with traditional meters to incentivise take-up of smart meters. We do not propose to pursue this approach due to the potential distributional impacts, for example if some category of consumer is not able to benefit from a smart meter due to the physical characteristics of their property.

267. One energy supplier suggested we should follow a similar approach to that taken in the Netherlands, where consumers would face a charge to have a smart meter if it were not

[64] See: https://www.ofgem.gov.uk/publications-and-updates/electricity-retail-market-wide-half-hourly-settlement-draft-impact-assessment
[65] See: https://www.gov.uk/government/publications/smart-meter-enabled-tariffs-comparison-project-smarter-tariffs-smarter-comparisons

installed prior to a certain date. We consider this approach could potentially result in unintended consequences in the medium and longer term, for example if it meant that after a certain date consumers would have to pay a specific, additional smart meter installation fee which did not apply at an earlier point. This may discourage consumers without a smart meter from requesting one once the deadline has passed. This approach would also be challenging to implement, for example in determining both the level of the charge and an appropriate timeframe before the charge applied. It could also lead to potential impacts on consumers through no fault of their own – for example, if the previous occupant of a property had not accepted a smart meter within the specified timeframe.

268. However, we do recognise that there may be opportunities for energy suppliers to maximise the effectiveness of their smart metering rollouts through coordinated and localised consumer engagement activities. As set out in the Government response to Question 15, we expect Smart Energy GB's activities should evolve to focus on facilitating co-ordination between energy suppliers to help support smart meter uptake. We would expect these activities to include, where appropriate, coordination of localised consumer engagement activities in conjunction with energy suppliers. We would also expect Smart Energy GB to explore opportunities for engagement with local authorities to help support campaign activity.

Measures related to wider building policies

Smart meters and new build domestic premises

269. Several respondents highlighted ongoing difficulties faced by energy suppliers when installing smart meters in new build premises, such as the distance between meter points resulting in gas meters not connecting to the HAN, distance between meter points and the property, and insufficient space in meter cupboards. Energy suppliers noted that while the NRO requires them to take "all reasonable steps" to install smart meters in new builds, Building Regulations do not place similar or complementary obligations on property developers.

270. The Government agrees that taking steps to address this issue would help suppliers install more smart meters in new builds and avoid the potential for expensive remedial work to the building in the future. The Government has been working with industry bodies to remedy this and we will work with relevant stakeholders to develop improved guidance to developers on making provision for smart metering equipment. We will keep the matter under review with a view to taking further action on options for encouraging developers to meet the appropriate specifications if insufficient progress is being made.

271. The Government also recognises that in some circumstances third party organisations install electricity and gas meters in new build premises, but they are not covered by the same regulations that apply to energy suppliers. These include, but are not limited to, Independent Gas Transporters, Independent DNOs, and gas and electricity distribution network operators. There may therefore be some situations in which third party organisations install traditional meters that subsequently have to be replaced with smart meters by energy suppliers, adding additional costs and consumer inconvenience. In some cases, these third party organisations will be working on behalf of energy suppliers and so will be covered by the regulations. However, the Government will bring

forward proposals to ensure that where third party organisations install meters in new build premises, they also face obligations to install smart meters.[66]

Energy Performance Certificates (EPCs) and related actions

272. Several respondents identified the role that EPCs could play in encouraging the uptake of smart meters. We have considered options that relate to EPCs themselves, as well as the underlying processes used to generate them: SAP for domestic premises and the Simplified Building Energy Model (SBEM) for non-domestic premises.

273. The Government EPC action plan, to be published shortly, will set out ways in which we can continue to improve the EPC to make it a more accurate and informative measure of a building's performance, ensure it is trusted and valued by customers and support action to reduce energy use for homeowners and consumers.[67] We will explore options around the role that smart meters could play either on the EPC itself or as accompanying recommendations in England and Wales later in 2020. With around 1.5 million EPCs issued each year these measures would help ensure that the potential consumer benefits of smart meters are further disseminated to consumers in England and Wales.

274. Smart meters enable consumers to gain a greater understanding of the energy consumption of their homes, and to take advantage of innovative time of use tariffs that can save them money. We will work with industry to explore ways of representing the potential time of use tariff savings in SAP, which will enable these savings to contribute towards the EPC band of the property. We will also future-proof the way in which domestic properties are assessed against future smart related revisions by ensuring that smart meters are recorded by the EPC assessor via changes to Reduced Data SAP (RdSAP) software. This will ensure that future technologies that connect to the HAN and make use of smart meters' functionality (such as recording energy at half-hourly granularity) can be quickly integrated into building performance metrics. This will help improve consumers' understanding of how data from smart meters can help unlock additional benefits and could help stimulate demand for smart meters by those who do not yet have one.

275. For non-domestic properties, where metering arrangements may be more complex, we will explore changes to the SBEM software and EPC assessor guidance to ensure that non-domestic premises where smart meters are not yet installed, or the meter type is unknown, receive a recommendation to install one via their EPC.

276. We consider that going further and including the presence of smart meters themselves in SAP or SBEM calculations may be nugatory as these calculations measure the thermal efficiency of the premises, not its overall energy efficiency. Making a particular EPC band unobtainable without a smart meter may lead to perverse policy outcomes where an otherwise high performing building obtains a lower than expected EPC, thus reducing consumer confidence in the accuracy of EPC bands to the detriment of wider government policy.

277. However, the Government recognises the wider roles that new ways of measuring the energy performance of homes using smart meter data could play in encouraging home energy efficiency in the future. BEIS is currently funding the development, testing and demonstration of technologies that measure the thermal performance of homes using

[66] We would expect that in certain emergency situations non-smart solutions could still be deployed.

smart meter and other data. These technologies have been termed 'Smart Meter Enabled Thermal Efficiency Ratings' (SMETERs).[68] All of the technologies have successfully undertaken early testing. A field trial is now underway in 33 homes to assess in more detail the accuracy and resident acceptability of nine SMETER technologies. Subject to the final results, expected by early 2021, we will work with industry to consider how SMETER technologies could be integrated into the calculation of more accurate EPC scores in the future. We will also explore other applications as they become apparent such as 'pay for performance' solutions for the successors of current energy efficiency schemes such as the Energy Compliance Obligation (ECO).

278. Some respondents suggested that a smart meter should be present at the property, or the occupier provide proof that a smart meter has been requested, in order to be eligible for an EPC. Related to this, some respondents suggested wider measures targeted at the housing and mortgage markets, for example requiring smart meters to be installed when a property is sold (potentially as part of gaining an EPC). While respondents suggested that this would increase consumer uptake of smart meters, this approach would have wider implications that we believe need to be considered. For example, there is a wide range of activities that require an EPC to be issued, including around point of sale and letting of a property, and requiring the installation of a smart meter could present a barrier to an EPC being issued. In light of this, the Government's view is that the potential wider impacts this could have on the housing market and other government priorities relating to this would outweigh the benefit to the rollout that this option would bring. As a result, we do not propose to make EPCs contingent on a smart meter being installed.

Measures in rented and public sector premises

Smart meters in rented premises

279. Several respondents, including some large energy suppliers, suggested that private rented sector landlords should be required to have smart meters installed before they can let a property. The Government recognises that there are challenges inherent in installing smart meters in privately rented premises, such as tenants not understanding their rights to request a smart meter and difficulties engaging landlords, particularly where they are not responsible for energy bills. According to consumer research by Smart Energy GB, private tenants are more likely to want a smart meter than consumers on other tenures[69] but English Housing Survey data shows that privately rented households are significantly less likely to have one.[70]

280. Smart meters can also bring substantial benefits to both landlords and tenants, for example by providing accurate billing information upon change of tenancy or when a landlord takes possession of the property. With accurate information on their In-Home Displays, tenants can easily understand how they can make small changes to the way they use energy in order to use less and save money on their bills. The latest Programme Cost Benefit Analysis published in 2019 estimates that on average consumers will make annual energy savings of 3% for electricity and 2.2% for gas.[71]

[68] See: https://www.gov.uk/guidance/smart-meter-enabled-thermal-efficiency-ratings-smeter-innovation-Programme
[69] Smart Energy GB, Smart Energy Outlook March 2019.
[70] MHCLG, English Housing Survey, Headline Report, 2018-19. Note Scottish and Welsh households are not included in this survey but are in scope of the roll-out.
[71] 3.0% for electricity (credit and pre-payment); 2.2% for gas credit and 0.5% for gas prepayment. See: https://www.gov.uk/government/publications/smart-meter-roll-out-cost-benefit-analysis-2019

This is an average, and customers can start saving on their bills as soon as they get their smart meter.

281. Introducing measures to promote smart meter uptake in the private rented sector could affect a significant number of households throughout Great Britain. However, the Government recognises that the benefit of introducing further regulation in the private rented sector needs to be balanced against the regulatory burden imposed on landlords, including proposed increases to tenant security and new regulations around standards in the sector. In the Clean Growth Strategy, the Government set out its aim of upgrading as many private rented sector homes as possible to EPC Band C by 2030 where practical, cost-effective, and affordable.[72] We are planning to consult on policy options in due course.

282. The Government will consider how to make the respective rights of tenants and landlords regarding smart meter installations clearer, and what role the private rented sector can play in supporting the rollout of smart meters. Possible proposals for consideration include measures to help ensure that landlords do not unreasonably refuse a tenant's request to install a smart meter where the tenant is the energy customer, and whether to add smart meters to the mix of measures that may be implemented to meet minimum energy efficiency requirements in the private rented sector. Any proposals and their means of delivery will be subject to further consultation.

283. In the longer term, subject to improvements in energy suppliers' operational fulfilment and the resolution of technical issues, the Government proposes to explore regulatory options to ensure that all eligible private rented properties have smart meters installed. We will work closely with industry and other stakeholders to ensure that landlords with properties that are not eligible for smart meter installations are not unfairly penalised, and that the cumulative regulatory burden on landlords is minimised by providing clear messaging on policy implementation, phasing, and the respective rights of landlords and tenants to arrange a smart meter installation. As part of this we will also explore potential split incentives, whereby the landlord makes the investment and the tenant accrues the benefit.

284. Respondents also suggested applying obligations to other rented tenures, such as social housing and housing associations. Further analysis of English Housing Survey data reveals that smart meter uptake in these tenures has been in line with owner occupiers,[73] indicating that there is a reduced justification for taking regulatory steps to improve uptake in theses tenures in addition to the private rented sector.

285. For non-domestic sites, the Government is scoping the broader role of landlords in delivering the smart meter rollout, particularly the benefits and risks of a voluntary versus regulatory approach and the implications of landlord/tenant split incentives which add a layer of complexity to non-domestic engagement.

Non-domestic public sector premises

286. Given the energy saving benefits smart meters provide to individual organisations, and their critical role in helping to deliver the Government's net zero goals, we consider

[72] See: https://www.gov.uk/government/publications/clean-growth-strategy
[73] MHCLG, English Housing Survey, Headline Report, 2018-19. Note Scottish and Welsh households are not included in this survey but are in scope of the roll-out.

smart meters should become the norm across the public sector estate and will explore what further steps are needed to deliver this objective.

287. The Government is already engaging with industry to scope potential in public sector buildings, including schools. Between January 2018 and January 2020 BEIS's £8.8 million NDSEMIC funded the pilot of four tools which use smart meter data to help schools save energy and reduce costs.[74] These tools ranged from online platforms with data-based tips and alerts, aimed at helping school staff manage energy costs, to lesson plans for teachers and data-driven activities for pupils helping them to code and learn about the environment. The Government has engaged with a range of stakeholders through workshops organised as part of NDSEMIC to explore how to exploit the use of smart metering data and promote energy efficiency within schools. The evaluation results will be published later in 2020 and will guide future action in this area, including opportunities to build on the potential of innovation to unlock behaviour change and align with wider public sector objectives.

Synergies with other energy policy areas

288. Several respondents suggested that consumers' access to Government energy efficiency funding or other financial support to help them with their energy bills should be conditional on having a smart meter installed. Smart meters play a key role in transforming the way energy is used and will help to deliver the long-term target of net zero greenhouse gas emissions by 2050. The Government will continue to ensure that opportunities to encourage consumer uptake of smart metering, for example by referencing the role that smart metering can play in support of other policies which help deliver net zero, are realised.

289. We have considered other means of maximising the synergies between smart metering and a number of other policy areas, as set out below.

Smart metering and domestic energy efficiency and fuel poverty schemes

290. From October 2020, consumers in receipt of the Pension Credit Guarantee Credit will be informed of the potential benefits of smart meters alongside other relevant energy efficiency advice in the letter confirming their eligibility for the Warm Home Discount.

291. Some respondents suggested that the government should go further and that the provision of energy-related benefits such as the WHD or the Winter Fuel Payment should be conditional on accepting a smart meter installation. While this option could increase consumer acceptance of smart meters in some cases, such a requirement risks disproportionately affecting the most vulnerable consumers. The Government's priority is to ensure that all those who are eligible for these benefits receive them and making them conditional on accepting a smart meter runs contrary to this aim. For these reasons we do not propose to implement this suggestion.

292. The Government will consult on the successor to the current ECO scheme in due course. We intend to explore how smart meters deployment could be encouraged through the scheme. We also intend to look to evidence received through the SMETERs trials to evaluate whether smart meters could be used to measure the real-time savings

[74] See: https://www.gov.uk/government/publications/non-domestic-smart-energy-management-innovation-competition-research-and-evaluation

achieved from energy efficiency measures. The Government also intends to consider how the implementation of future home energy retrofit schemes can support the smart meter rollout.

Smart metering obligations relating to electric vehicles

293. Several respondents proposed that installation of smart meters should be a requirement wherever a new electric vehicle (EV) chargepoint is installed in domestic or non-domestic premises. Some respondents also considered that access to Government funding for new chargepoints should be made contingent on the installation of a smart meter.

294. We note that the recent EV Energy Taskforce report also included a similar proposal, recommending that the number of consumers who have a smart meter installed before or alongside the installation of a chargepoint is maximised.[75]

295. We agree with respondents that integrating smart metering and EV charging can help deliver significant benefits to EV drivers and the energy system. This includes innovative time of use tariffs which reward EV drivers for charging their vehicles outside of expensive peak times or when there is more renewable generation available. Smart meters could also enable EV chargepoints to be controlled remotely in a secure and interoperable fashion (with the consumer's permission) on behalf of consumers, to enable them to automatically take advantage of periods of low demand or reduce the need for high-carbon generation.

296. We are working with colleagues in the Office for Low Emission Vehicles (OLEV) to explore this proposal to require the installation of a smart meter ahead of or as part of the installation of an EV chargepoint, noting the interaction with OLEV's consultation where smart metering infrastructure was proposed as the current lead option for delivering EV smart charging in the long term.[76]

297. In the meantime, innovation projects are under way to develop devices and systems using smart metering to perform smart charging of EVs and manage other domestic electricity loads:

- A £2.6 million programme with two projects to develop and demonstrate a load control device using smart meter communications infrastructure. Each project involves a trial in 100 homes, testing two variants of a load control device connected via the HAN, to charge EVs in domestic settings.[77]

- A £5 million programme starting in July 2020 with up to two projects to develop and trial 100 smart meter-enabled EV chargepoints for contexts beyond the existing scope of the smart meter rollout, i.e. for EV charging on the street outside homes or in workplaces.[78]

Smart metering and the Feed-In Tariff scheme

298. As discussed above, several respondents considered that any form of energy-related Government funding or subsidy should be contingent on the consumer receiving a smart

[75] See: https://www.lowcvp.org.uk/projects/electric-vehicle-energy-taskforce.htm
[76] See: https://www.gov.uk/government/consultations/electric-vehicle-smart-charging
[77] See: https://www.gov.uk/guidance/electric-vehicle-smart-charging-smart-meter-demonstration-project
[78] See: https://www.gov.uk/government/publications/smart-meter-enabled-electric-vehicle-ev-charging-trial-beyond-off-street

meter. One respondent also felt that smart meters should be installed in all homes with on-site generation, as in their view customers in receipt of payments under the Feed-In Tariffs (FITs) scheme could be disincentivised from accepting a smart meter.[79]

299. The Government has been clear since launching the FITs scheme that the intention is to use smart metering for the export tariff and that the deemed approach would only be used until the functionality of smart meters was able to be utilised. This remains the case and in 2019 Government re-confirmed its intention to end deemed export payments. We will explore this issue in more detail with any changes proposed subject to further consultation.

Smart metering and heat pumps

300. Heat pumps are one of the primary technologies for decarbonising heat. Looking towards 2050, heat pumps could enable us to almost decarbonise heat completely alongside the decarbonisation of electricity generation. The Government is also committed to working with industry to encourage the installation of smart meters alongside heat pumps. The smart meter rollout can reduce heat pump operating costs by enabling access to time of use tariffs and will provide greater transparency of heat pumps to electricity networks.

301. We will consider measures which help maximise the flexible potential of heat pumps and mitigate their potential impact on the electricity system, including the role smart meters can play – for example, by enabling time of use tariffs that encourage consumers to shift when they use energy.

[79] The current arrangements allow payment of the FIT export tariff on a 'deemed' basis (whereby 50% of the amount of electricity generated is assumed to be exported), where it is not possible or practical to measure the amount that is exported. Our understanding is that some FIT generators may be disincentivised from accepting a smart meter if they consider, rightly or wrongly, that they would be better off under deeming.

Summary of Annexes

ANNEX A: List of Respondents

ANNEX B: Impact Assessment

ANNEX C: Extension to All Reasonable Steps (Licence Condition 1, 33 and 39),

ANNEX D: New Obligation (Licence Conditions 33A and 39A)

ANNEX E: Reporting Framework (Licence Conditions 37 and 43)

ANNEX F: Consequential Changes (Licence Conditions 42, 48, 49 and 55)

ANNEX A

List of Respondents

ORGANISATION TYPE	ORGANISATION
Energy Supplier	SmartestEnergy Bristol Energy SSE Business Energy (SSE's non-domestic supply business) E.ON Utilita Shell Energy Engie OVO Energy SSE Energy Services Verastar Limited Drax Group (joint response on behalf of Haven Power and Opus Energy) EDF Centrica Scottish Power E Gas and Electricity Npower Tonik Green Network Energy Good Energy Bulb
Trade Body	Energy and Utilities Alliance (EUA) BEAMA Association of Meter Operators Scottish Renewables The Industrial & Commercial Shippers & Suppliers (ICoSS) Association of Independent Meter and Data Agents (AIMDA) Energy UK
Distribution Network Operator (DNO)	Electricity North West Limited SP Energy Networks Scottish & Southern Electricity Networks (SSEN) Western Power Distribution
Consumer Group	Citizens Advice Scotland Citizens Advice Ombudsman Services National Energy Action (NEA)

Meter Operator (MOP) and Map Asset Provider (MAP)	National Grid Metering (NGM) SMS PLC Siemens Calvin Capital Limited
Academia /Third Sector	University of East Anglia
Delivery Partner	Smart Energy GB Data Communications Company (DCC) Telefónica UK Limited
Other	The Money Charity IMServ Europe Ltd CyanConnode Limited Chameleon Technology Law Society of Scotland Tamar Energy Community Limited Hildebrand Technology Ltd uSwitch Toshiba Stark WWF-UK

This publication is available from: www.gov.uk/government/consultations/smart-meter-policy-framework-post-2020

If you need a version of this document in a more accessible format, please email enquiries@beis.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.