

Anna Rossington  
Deputy Director, Retail Price Protection  
Ofgem

From: Andrea Gomes Da Silva  
Executive Director –  
Markets and Mergers

By email

29 July 2020

Dear Anna

### **The Energy Market Investigation (Restricted Meters) Order 2016**

We have been considering the imminent expiry date of the substantive provisions of the Energy Market Investigation (Restricted Meters) Order 2016, (the **Order**), and the possibilities for providing extended protection to relevant customers.

As I am sure you are aware, in its [Final Report](#) following the CMA's market investigation into the energy sector, the CMA found that a number of features of the domestic retail supply of gas and electricity in Great Britain gave rise to an adverse effect on competition through an overarching feature of weak customer response. Amongst those customers on restricted meters there was evidence of, in particular a lower awareness of, and interest in, their ability to switch; higher barriers to accessing and assessing information; and higher actual and/or perceived barriers to switching.

The Order, introduced as a result of the investigation, was designed to address features specific to customers on restricted meters, including by removing barriers to switching and providing these customers with information on the options available to them. As the introduction of smart meters (together with other remedies implemented in parallel by the CMA) were expected to address these issues, the Order included an expiry date linked to the roll-out of smart meters.

At the time the Order came into force, the rollout of smart meters was expected to be completed by the end of 2020. However, the roll-out has not progressed in line with the initial projections on which the Order was premised. Evidence available to the

CMA in 2019<sup>1</sup> showed that it was not on track to complete by the end of 2020 and could be as much as two years behind schedule. More recently, a BEIS press release on 18 June 2020 confirmed that it had plans to install smart meters over 4 years,<sup>2</sup> indicating that the roll-out may now be expected to continue into 2024.

In this situation, the [Explanatory Note to the Order](#) envisaged at paragraph 16 the following:

*'In the event that such roll-out were materially ahead of (or behind) schedule, the CMA will consider whether to revoke the Order early (or recommend that GEMA consider introducing further measures until the roll-out is substantially completed)'*<sup>3</sup>

In the light of the above, I am writing to you now, on behalf of the CMA, to recommend that Ofgem consider whether it is appropriate to either extend the duration of the corresponding provisions in Supplier Licence Conditions that mirror the substantive obligations in the Order or take such other steps as Ofgem may consider appropriate to protect customers on restricted meters until the rollout of smart meters is substantively completed.

Please do let me know if you would find it useful to discuss any of this.

Yours sincerely

Andrea Gomes da Silva  
Executive Director – Markets and Mergers  
[andrea.gomesdasilva@cma.gov.uk](mailto:andrea.gomesdasilva@cma.gov.uk)

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<sup>1</sup> Published as part of the CMA's [Review of the Energy Market Investigation \(Prepayment Charge](#)

<sup>2</sup> The BEIS Press Release can be found [here](#).

<sup>3</sup> Paragraph 16 of the [Explanatory Note - Energy Market Investigation \(Restricted Meters\) Order 2016](#)