Department
of Energy &
Climate Change

Smart Metering Implementation Programme

Smart Metering Rollout Strategy

24 March 2015

URN 15D/137

The consultation can be found on DECC's website:

https://www.gov.uk/government/consultations/smart-metering-rollout-strategy

Contents

1. General information

Purpose of this consultation:

This Rollout Strategy consultation seeks views on a number of proposals to help inform and support key decisions that industry will need to take between DCC Live and the completion of the rollout. These include proposals that would help drive SMETS 2 deployment following DCC Live, maximise benefits realisation and improve the consumer experience.

Issued: 24th March 2015

Respond by: 19th May 2015

Enquiries to:
Smart Metering Implementation Programme,
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Department of Energy & Climate Change,
Orchard 3, LG Floor,
1 Victoria Street,
London, SW1H 0ET

Email: smartmetering@decc.gsi.gov.uk
Consultation reference: URN 15D/137

Territorial extent:

This consultation applies to the gas and electricity markets in Great Britain. Responsibility for energy markets in Northern Ireland lies with the Northern Ireland Executive's Department of Enterprise, Trade and Investment.

How to respond:

Your response will most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Responses should be emailed to: smartmetering@decc.gsi.gov.uk or posted to the above address.

Additional copies:

You may make copies of this document without seeking permission. An electronic version can be found at https://www.gov.uk/government/consultations/consultation-on-non-domestic-smart-metering.
Other versions of the document in Braille, large print or audio-cassette are available on request. This includes a Welsh version. Please contact us under the above details to request alternative versions.

Confidentiality and data protection:

Please note that DECC intends to summarise all responses and place this summary on the GOV.UK website. This summary will include a list of names or organisations that responded but not people's names, addresses or other contact details. In addition DECC intends to publish the individual responses on its website and you should therefore let us know if you are not content for the response or any part of it to be published. We will not publish people's personal names, addresses or contact details. If you indicate that you do not want your response published we will not publish it automatically but it could still be subject to information requests as detailed below.

Further, information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information legislation (primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you do not want your individual response to be published on the website, or to otherwise be treated as confidential please say so clearly in writing when you send your response to the consultation. For the purpose of considering access to information requests it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.

Quality assurance:

This consultation has been carried out in accordance with the [Government's Consultation Principles](#).

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

DECC Consultation Co-ordinator
3 Whitehall Place
London SW1A 2AW
Email: consultation.coordinator@decc.gsi.gov.uk

2. Summary and Introduction

1. Smart Meters are the next generation of gas and electricity meters. They will offer a range of intelligent functions and provide consumers with more accurate information, bringing an end to estimated billing. Consumers will have near-real time information on their energy consumption to help them control and manage their energy use, save money and reduce emissions.

2. The rollout must be achieved in a cost-effective way, optimising the benefits to consumers, energy suppliers, network operators and other providers of energy services to deliver environmental and other policy goals. Smart meters will provide consumers with better information on energy usage to encourage energy efficiency, and enable the transition to a low-carbon Britain, ensuring the supply of energy which is secure, affordable, efficient and sustainable. Whilst Government plays an important enabling role, Smart Metering is a programme led by Industry. Energy suppliers are responsible for rolling out smart meters in line with their rollout obligations, with Government's role being to provide the right framework and milestones against which they can plan.

3. The Government's approach is designed to provide industry with the flexibility to plan and manage the rollout efficiently in order to serve their customers best in a competitive market. The Government's aim, as far as possible, is to put industry in the best position to make investment and deployment decisions at each stage of the development of the enduring solution.

4. Following the DCC consultation on its delivery strategy and timetable, the Government has approved its revised plan and provided key planning assumptions for industry parties to prepare for DCC Live. This is an important step to enable the industry to plan for a successful rollout of smart meters to all homes and small businesses. The Government recognises that there are further key planning assumptions that suppliers and network operators will need to make in order to make robust commercial and investment decisions for the main installation stage. These decisions relate to the speed and scale of SMETS1 installations, installation capacity for mass rollout, SMETS2 procurement decisions and the related business system changes.

5. This document sets out the Government's positions and key regulatory proposals to inform these investment decisions. Alongside this consultation, DECC is also consulting on the approach to develop HAN solutions to reach 100% of consumers premises[1].

6. It is important that the approach to the main installation stage enables the realisation of the full benefits of smart meters and deliver a positive consumer experience of smart metering in both the domestic and non-domestic sectors.

7. A significant majority of the benefits of smart metering are expected to be delivered through the installation, enrolment and operation of SMETS2 meters operated through

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[1] https://www.gov.uk/government/consultations/consultation-on-home-area-network-solutions

the DCC. Whilst the Government recognises the role that SMETS1 meters have played in providing early learning for industry and enabling the early benefits of smart to be realised, it is important to ensure that the greater benefits that SMETS2 meters offer are realised as soon as possible.

8   We recognise that energy suppliers and network operators should have some discretion in beginning their move to smart systems but we expect that parties are able to use smart metering data and operate SMETS2 meters at least on churn from early in the main installation stage.

9   This rollout strategy sets out proposals and seeks views in the following areas:

Chapter	*Objective*	*Regulatory mechanism*
3	Driving large supplier commencement of SMETS2 installations – soon after DCC Live.	*Introducing de-minimis SMETS2 installation and enrolment obligation on large suppliers*
4	Ensuring that the benefits of smart metering remain, regardless of a consumer's energy supplier.	*Mandating suppliers and network operators to become DCC Users*
5	Ensuring an efficient rollout and optimising the consumer installation experience	*Install and Leave provisions*
6	Ensuring all new connections and replacement meters are smart	*Enacting the New and Replacement Obligation*
7	Ensuring that benefits are maximised by: - ending SMETS1 deployment once SMETS2 systems are in place; and - enrolling and adopting the SMETS1 meters into the DCC where possible.	*Setting a SMETS1 end date and starting the enrolment and adoption process for SMETS1 meters*

10   Proposals set out in this document are also intended to be applicable to non-domestic suppliers unless stated explicitly otherwise. The Government is also publishing today a consultation on two issues relating to the roll-out of smart and advanced meters to the non-domestic sector, these being the "DCC opt-out" and the advanced metering exception[2].

11   The rest of this document considers each of the objectives and regulatory mechanisms set out in the table above. Consultation questions can be found at the end of each chapter and are summarised in annex A. Responses are invited on the questions set out in this document by 19 May 2015.

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[2] https://www.gov.uk/government/consultations/consultation-on-non-domestic-smart-metering

3. Driving SMETS2 installations

Strategic Context

12   The Government's main priority for the Programme is for suppliers to commence rollout of SMETS2 meters following DCC Live. Following DCC Live, systems will be in place to enable suppliers to become Users and to install, commission and enrol SMETS2 meters within the DCC; enabling the delivery of the full benefits of smart metering.

13   We expect all suppliers to be installing and enrolling SMETS2 meters with the DCC as soon as possible after DCC Live, with large[3] suppliers expected to be Users from DCC Live, as an important step in meeting their overall rollout obligation and their annual milestone commitments.

14   We expect many suppliers will have commercial incentives to begin rolling out SMETS2 meters at this stage. However, DCC Live in itself doesn't set any hard expectations on suppliers to procure, install and enrol metering equipment; the only existing obligations are on large suppliers being to participate in elements of the testing process (including an obligation for two or more large suppliers to complete Interface Testing before DCC can proceed to offer live services).

15   Given the importance of a timely SMETS2 rollout to the delivery of the Programme and optimisation of consumer experience from an earlier date, the Government have considered the potential merits of an early rollout obligation for large suppliers to stimulate a ramp-up in SMETS 2 procurement, to ensure sufficient drivers are in place to complete testing in an efficient manner and for the installation, commissioning and enrolment of meters to commence and realise benefits soon after DCC Live.

16   The introduction of a regulatory obligation, can help focus the industry as a whole on a clear checkpoint when all larger suppliers will be installing, commissioning and enrolling meters. It will also ensure that SMETS2 meters will be enrolled earlier with the DCC and delivering better information to consumers on the energy use in their homes.

Options Considered

17   The objective of any obligation would be to ensure that large suppliers have installed a minimum number of SMETS2 meters in consumer premises and enrolled them with the DCC, whilst providing sufficient flexibility for suppliers to determine their overall rollout strategies. Although suppliers are likely to be installing greater volumes at this time, this would ensure a minimum amount of activity to guarantee momentum as they progress to meet their rollout obligation.

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[3] Large suppliers are defined as parties that supply electricity and/or gas to 250,000 or more domestic premises

18   A number of options have been considered for any obligation, with regard to (i) the timing of introduction and (ii) what form it could take.

(i) Timing of any Obligation:

19   It is important that any obligation acts to incentivise swift action from the large suppliers in completing testing and purchasing, installing and enrolling SMETS2 meters with the DCC. We would expect this activity to begin from DCC Live but also recognise that suppliers will need a period of time to rollout SMETS2 meters and enrol them with the DCC, before any obligation to install and enrol meters comes into effect. This is important so as to avoid forcing suppliers to rollout beyond system capability; and negatively impacting on consumer benefits and the consumer experience as a whole.

20   With this in mind, we propose to mandate large suppliers to have installed, commissioned and enrolled at least a de-minimis number of meters by six months after DCC Live.

(ii) Form of the obligation

21   The obligation could be expressed as an absolute number of meters or as a percentage of meter points. A simple obligation expressed as an absolute number of meters is attractive as a way to establish a de-minimis figure for all large suppliers. However, although the intention of the obligation is to provide a floor, which all large suppliers should be exceeding; when looking at the variety in size of business (and therefore meter points they have), picking a single figure may disproportionately impact those suppliers with much lower numbers of meters. Alternatively using a percentage of meter points may lead to an extremely challenging target for the largest suppliers because of the number of meter points they have.

22   Given the above and that the aim of the rollout floor is to drive commencement of SMETS 2 installation/ enrolment, the Government is minded to set an obligation of 1,500 SMETS 2 meters or 0.025% of total meter points (whichever is the lower) to be installed, commissioned and enrolled into DCC within six months of DCC Live.

Consultation Question	
1	Do you agree with the minded to position to set a de-minimis obligation for all large suppliers to install, commission and enrol 1,500 SMETS 2 meters or 0.025% of total meter points (whichever is the lower) within six months of DCC Live? Please explain your rationale and provide evidence.

4. Mandating parties to become DCC Users

Strategic Context

23   It is important that consumers who have had a SMETS2 meter installed can continue to receive smart services if they choose to change supplier. This will maintain the positive consumer experience of smart meters and ensure the benefits realised are sustained where a customer exercises their right to change supplier. In order for this to be achieved all energy suppliers will need to become Users of the DCC as soon as possible to minimise the instances where a change of supplier (CoS) event results in a consumer moving from an energy supplier using DCC services, to one that is not.

24   We have already set expectations for large suppliers to be DCC Users from DCC Live and if a decision is taken to implement the early rollout obligation set out in Chapter 3, they will need to be DCC Users shortly after DCC Live in order to meet that obligation. We recognise some of the initial challenges for many small suppliers in establishing systems to interact with the DCC but would expect them to be Users soon after DCC Live, to ensure they can at least gain SMETS2 smart meter customers on churn and continue to provide smart services and benefits.

25   Distribution Network Operators (DNOs) and independents (iDNOs) also have a key role to play in the smart metering system and will deliver important benefits through the communication between them and the DCC of alarms and alerts. We have already set out our expectation that electricity DNOs will be Users by DCC Live and, like for smaller suppliers, recognise some of the additional challenges faced by iDNOs in this regard.

26   In addition to the parties outlined above, there are other parties, such as Gas Transporters (GTs) and independents (iGTs), who are ultimately expected to deliver benefits in the system but may not need to be DCC Users from an early stage after DCC Live. The Government would expect these parties to become DCC Users before 2020.

Options and minded to position

27   In order to realise the benefits to consumers of parties using the DCC we have considered the merits of introducing a 'User Mandate' – an obligation on parties to become DCC Users by a certain date. A number of options were considered for the introduction of any User Mandate, and separate consideration was given to energy suppliers, Distribution Network Operators and Gas Transporters.

Energy Suppliers

28   DECC has already set an expectation[4] that all larger suppliers will be Users from DCC Live. In addition, should the Government decide to introduce the early rollout obligation in the form proposed in this consultation, large suppliers would have to become DCC Users from 6 months after DCC Live, at the latest. Therefore any additional mandate on

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[4] DECC provided DCC Live expectations to stakeholders at the Smart Metering Delivery Group on 12 March 2015

suppliers to become DCC Users would formalise expectations in relation to large suppliers but would need to reflect the circumstances of the small suppliers in particular.

29   We recognise that there is no such thing as a typical small supplier. Some are well established businesses, others have entered the market recently. They operate with very different business models e.g. renewable energy or Pre-Payment Meters (PPM), others compete on price. Some are likely to rely on the developing shared services market in order to connect to the DCC. As such they represent a diverse group with divergent drivers. We also want to ensure that across the supplier base there are clear milestones to inform rollout plans, and to minimise potential loss of benefits for consumers where they change supplier.

30   A number of dates have been considered for the introduction of any mandate:

- **DCC Live plus 6 months** – In this option, all suppliers, whether large or small would be required to become Users by the same point in time. While attractive in principle, in providing a better customer experience on churn, the operational realities in terms of small supplier readiness for smart and the existing mandate for large suppliers to be ready for interface testing, mean that such an early date would not appear realistic or achievable for all suppliers;

- **DCC Live plus 12 months** – This option would place a requirement on all suppliers to be Users 12 months after DCC Live. This option recognises the additional challenges some smaller suppliers face and provides additional time for them to become Users. However, it limits this to 6 months, recognising the increased likelihood of issues arising around churn of meters, with an associated negative impact on consumer experience.

- **DCC Live plus 18 months** – Although this option would allow more time for small supplier readiness for using DCC services, the volume of SMETS2 meters installed by this point by large suppliers could mean significantly more customers churning from User to non-User suppliers in between DCC Live and this point, with associated negative impacts on consumer experience.

31   Given the importance of all suppliers being DCC Users, so that consumers can continue to realise smart metering benefits upon change of supplier, the Government is minded to set a date for all suppliers to become Users at DCC Live plus 12 months; reflecting the expectations around readiness of small suppliers and recognising that large supplies would have to be DCC Users by DCC Live plus 6 months, at the latest, in order to meet their interim SMETS2 obligations.

DNOs and iDNOs

32   DNOs will deliver benefits by responding to alarms and alerts from smart meters and can improve the efficiency of their operations by analysing smart metering data more generally. DNOs are also a fundamental component of the future smart grid and are therefore a crucial contributor to the overall smart metering system. In order to put appropriate incentives in place for all DNOs to be able to utilise the functionality of the

smart metering system, they should have DCC interfaces in place and be ready to receive and respond to smart meter data as soon as possible after DCC Live.

33   The earliest date at which DNOs could become DCC Users would be DCC Live. We have already set expectations[5] that electricity DNOs should be ready to support the rollout of SMETS2 meters from the point of DCC Live and from this point their involvement is also assumed to accrue benefits. A regulatory obligation on electricity DNOs from DCC Live would align with expectations previously set as part of discussions with industry and support large suppliers in delivering SMETS2 benefits as they roll out from DCC Live.

34   Given the important role they will play in the overall system and in delivering the wider benefits that smart metering can provide, including through smart grids; the Government proposes to mandate electricity DNOs to become DCC Users from DCC Live.

35   The Smart Energy Code (SEC) also provides for the Secretary of State to direct network parties to be ready for Interface Testing and commence as soon as reasonably practicable (SEC Section T3.21). We are considering whether such a direction, focused on electricity DNOs only, could provide further impetus to be ready for DCC Live and would welcome views on this.

36   In relation to iDNOs, it is clear that, like small suppliers, they face a challenge in readying themselves for DCC Live. Nevertheless, it would be undesirable for consumers to have differential access to network benefits, especially since households and businesses do not have a choice about their network operator.

37   With these factors in mind we are seeking views on the introduction of a mandate on iDNOs becoming DCC Users from DCC Live +12 months. At this stage the Government considers that further evidence is needed, including whether the benefits around alarms and alerts are maintained, before making a firm decision. We will continue to engage with iDNOs on the issue.

GTs and iGTs

38   While the current Impact Assessment does not contain any quantified benefits for GTs and iGTs, some use cases have been identified for how smart metering data might generate benefits to gas networks (especially taking potential future developments in the gas infrastructure into account). However, the Government does not see a compelling case to require GTs or iGTs to become DCC Users at an early stage after DCC Live, in the same way as for suppliers and DNOs. However, we recognise that there could be merit in GTs and iGTs being required to become DCC Users before the end of rollout and invite views from respondents on this issue.

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[5] DECC provided DCC Live expectations to stakeholders at the Smart Metering Delivery Group on 12 March 2015

Benefits and Basic Services

39   The Government recognises that simply becoming a User of the DCC will not ensure that benefits begin to flow. As such, it expects that as a minimum, energy suppliers and network operators provide the 'basic services' to their credit and prepayment customers. These include installation and commissioning of standard SMETS2 meters; retrieval of meter reading and billing data; and monitoring and managing of alerts.

Consultation Question	
2.	Do you agree that given the importance of consumers continuing to receive smart metering benefits upon change of supplier, all suppliers should be Users at DCC Live plus 12 months? Please provide evidence to support your position.
3.	Do you agree that given the importance of consumers continuing to receive smart metering benefits upon change of supplier, all suppliers should be Users at DCC Live plus 12 months? Please provide evidence to support your position.
4.	Do you agree that electricity DNOs should be mandated to be DCC Users from DCC Live? Please provide evidence to support your position.
5.	Would a direction from the Secretary of State, focused on electricity DNOs only, to be ready for Interface Testing provide additional impetus to be ready for DCC Live?
6.	Please provide views on whether iDNOs should be mandated to become DCC Users from DCC Live plus12 months. Please provide evidence to support your position.
7.	Do you agree with the position not to mandate GTs and iGTs to become Users at the present time? Please provide evidence to support your position.
8.	Are there benefits that could be driven by imposing a DCC Mandate for GTs and iGTs before the end of rollout? Please provide evidence to support your position.

5. Delivering consumer benefits in an efficient rollout – 'Install and Leave'

Strategic Context

40   The consumer experience of smart meter installations is an important aspect of the overall rollout – recent evidence from the Early Learning Project[6] has shown a link between people's installation experience and their satisfaction with smart meters. It is therefore vital that the installation process is as smooth as possible and is a positive experience for consumers.

41   This chapter considers whether suppliers should be permitted to 'Install and Leave' a Smart Metering System without establishing the Wide Area Network (WAN) in certain scenarios, as a means of a supporting an efficient roll-out and ensuring consumer benefits realisation from the point of installation.

42   Clarity on this issue is important to aid suppliers in building their internal systems, developing installation field force capability and their investment decisions. Avoiding aborted visits, where possible, will reduce wasted cost but also improve consumer convenience and the consumer experience as a whole, particularly since SMETS2 functionality allows for equipment to connect to DCC WAN without the need for another site visit.

43   The following have been deemed out of scope for this consultation and will be considered at a later date:

- o   Installations in areas not forecast to have WAN coverage before 2020;

- o   Aborted installations driven by factors not related to WAN or HAN coverage barriers; and

- o   Temporary loss of WAN coverage after the Smart Metering System has been installed, commissioned and enrolled into the DCC.

44   The Government will also consult at a later date on any Licence Condition amendments that might be needed to facilitate a final policy position on 'Install and Leave'.

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[6] https://www.gov.uk/government/publications/smart-metering-early-learning-project-and-small-scale-behaviour-trials

Options Considered

Whether to permit 'Install and Leave'

45   We have examined a number of options in analysing whether 'Install and Leave' should be permitted. Under current regulation, suppliers visiting a property where they could not establish a WAN connection would need to take a decision on whether to 'Install and Leave', relying solely on an 'all reasonable steps' provision in the Operational Licence Condition in their standard supply licence conditions. We are mindful that relying on 'all reasonable steps' means greater ambiguity for industry and is likely to result in a variable installation experience for consumers, depending on decisions of different energy suppliers in how to interpret the regulation.

46   On the other hand, if 'Install and Leave' was expressly prohibited in regulation, this would necessitate installers aborting all installations where they face WAN challenges, meaning greater numbers of poor customer experiences and greater cost for industry and ultimately consumers.

47   We have, therefore, considered the options for permitting 'Install and Leave' in situations where the supplier reasonably expected WAN to be available prior to the installation visit, but the WAN could not be established on installation of the smart metering system (i.e. reactive 'Install and Leave'). It is important for the overall consumer experience that consumers can start to receive some form of smart service from their smart meter installation, including visibility of their energy consumption via the HAN. Therefore, in permitting 'Install and Leave' where WAN is not available - when the supplier has a reasonable expectation that it would be - suppliers would still be required to establish a HAN at installation to ensure that some smart services can be enjoyed straight away. Full smart services would then be available once WAN connectivity has later been established – usually within 90 days. There are some downsides to this approach as it could still mean visits to the consumers premises (e.g. for meter reads or tariff updates) but overall we believe the benefits of this approach outweigh the likely limited instances of these events occurring.

48   The Government therefore considers that this 'reactive' approach to 'Install and Leave', where a supplier reasonably expects to find WAN at a property but doesn't, could contribute to an efficient rollout in the specific circumstances outlined above.

49   We have also considered the potential advantages in adopting an 'Install & Leave' approach in cases where it was known that there would be no WAN coverage prior to installation but it was forecast to arrive by 2020. We refer to this as "proactive" 'Install & Leave'. The Government recognises that such an approach could aid efficiency and geographical approaches to rollout. However, for SMETS 2 installations this could mean some consumers being without full smart services for a number of years, where WAN coverage is not expected at a particular postcode. This is likely to have a detrimental impact on the consumer experience of smart. The Government is therefore not minded to allow proactive 'Install & Leave'.

Scope

50   It is important for there to be an element of consistency in options available to energy suppliers regardless of the meter type. The Government is therefore minded to allow 'Install and Leave' for both SMETS1 meters and SMETS2.

51   However, the Government recognises that energy suppliers have direct contractual relations with communications service providers for their SMETS 1 programmes, which will inevitably mean there is variation in contractual terms in relation to WAN coverage. This means that it may be harder to determine a suitable period of time when we would expect WAN to become available, where it has not been possible to connect at the point of installation. If this is the case, separate consideration may need to be given to the legal implementation of 'reactive' 'Install and Leave' for SMETS 1 installations. We would therefore welcome views from industry on the application of install and leave to SMETS1 meters and in particular whether there is a suitable period of time during which we would expect WAN coverage to become available, where this has not been available on installation.

Pre-Payment Meters

52   A SMETS meter operating in Pre-Payment Meter (PPM) mode without WAN coverage will impact consumer experience as topping up balances would require manual Unique Transaction Reference Number (UTRN) entry. Without the WAN, additional equipment site visits would be needed to reconcile balances and perform tariff updates. This adds costs for suppliers.

53   The Government considers that this commercial driver alongside existing PPM Licence Conditions provide sufficient incentive for energy suppliers not to uniformly 'Install and Leave' SMETS meters in PPM mode where WAN coverage is not available. In addition, energy suppliers have previously indicated to DECC that they would not 'Install and Leave' SMETS meters in PPM mode where WAN coverage was not available.

54   With this in mind, the Government does not intend at this stage to expressly regulate in relation to 'Installing and Leaving' SMETS meters in PPM mode where expected WAN coverage is not available at installation.

Consultation Question	
9.	Do you agree that 'Install and Leave' should be permitted where expected WAN coverage is not available; but only in cases where HAN is established? Please explain your rationale.
10.	Do you think there are grounds for the Government enabling "proactive" Install and Leave and would your organisation use it as part of their rollout strategy? Please explain how you would mitigate the potential challenges to consumer experience.

Consultation Question	
11.	Do you agree that the Government's minded to position on 'Install and Leave' should apply to both SMETS1 and SMETS2 installations? Please provide views on specific issues you think the Government would need to consider in implementing this provisional policy position; and in particular whether there is a suitable period of time during which we would expect WAN coverage to become available, where this has not been available on installation.
12.	Do you agree that the Government does not need to regulate to exclude operation of SMETS meters in PPM mode from the scope of its minded to policy position on 'Install and Leave'? Please explain your company's strategy for handling PPM where the WAN is not available at the point of installation.

6. The New and Replacement Obligation

Strategic Context

55   The roll-out licence conditions enable the Secretary of State to set a date from which suppliers must take all reasonable steps to install a compliant smart meter where a meter reaches the end of its life or where a meter is installed for the first time (i.e. in new buildings) - the "New and Replacement Obligation" (NRO). To date, no decision has been taken as to when the obligation should be switched on.

Options considered

56   The Government's view is that any activation of the New and Replacement Obligation should occur by 2020 at the latest to ensure that there is an enduring SMETS rollout obligation for all meter replacements and new connections, where possible. However, there is a case for considering introducing the obligation earlier.

57   If a decision is taken to implement them, both the early rollout obligation on large suppliers and mandate on all suppliers becoming Users, coupled with the binding rollout profiles that suppliers must submit to Ofgem from January 2016 onwards, should help to drive the rollout. However, in the absence of a New and Replacement Obligation, there would be a risk that when a meter is found to be faulty or comes to the end of its life, it is replaced with a dumb meter. Although commercial incentives should make this unlikely, an earlier introduction of the NRO would prevent this scenario, could help drive benefits, and make for a better consumer experience overall.

58   There are, however, disadvantages with bringing the NRO in too early. A date shortly after DCC Live would risk disrupting suppliers' rollout plans, forcing installations where they are not ready to deploy in certain regions. This is likely to be particularly difficult for smaller suppliers, who are only expected to be DCC Users from 12 months after DCC Live, as set out in Chapter 4. In addition, the obligation does not currently distinguish between the different versions of SMETS (to ensure that it is always focused on the latest specifications available). Any early activation of the New and Replacement Obligation should take place at, or after, any SMETS1 end date is introduced (this is discussed further in chapter 7 of this document), so that consumers are able to enjoy the full benefits of SMETS2 meters whenever a meter is replaced or a new meter installed.

59   Finally, given the broad application of the obligation, any introduction should also occur once other technical solutions – such as 868MHz and alt HAN - have become available. Further work is needed to develop a detailed plan, but the DCC has suggested (following initial work with its service providers and assuming that the ZigBee specification will be completed in late 2015) that the earliest timescale that dual band

communications hubs are likely to be available is in the second half of 2017[7]. Bringing in the NRO before this point would either need to rely on a case by case decision from Ofgem on suppliers' use of 'all reasonable steps' to meet the obligation, or a set of potentially complicated carve-outs to the obligation. Given the likely complexity and potential for confusion with both of these options, the Government does not view either as desirable given the desire to provide clarity for suppliers and consumers alike.

Minded to Position

60   Bearing in mind the considerations set out above, the Government is therefore minded to activate the New and Replacement Obligation in mid-2018. This would be a year after the DCC User Mandate and SMETS 1 end date have been introduced (see chapters 4 and 7); therefore we expect that systems will be operating at scale and industry will be able to roll out to the vast majority of property types and offer the benefits of smart to those consumers who choose to have a smart service.

Consultation Question	
13.	Do you agree with the proposal to enact the New and Replacement Obligation in mid-2018?

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[7] https://www.gov.uk/government/consultations/consultation-on-home-area-network-solutions

7. SMETS1

Strategic Context

61   Supplier installations of meters conforming to the first version of the Smart Metering Equipment Technical Specification (SMETS1) will currently contribute to meeting their 2020 rollout obligation. SMETS1 meters offer benefits for consumers, particularly real-time information on their energy use, while providing industry the opportunity to gain experience from offer smart metering services to their customers.

62   A significant majority of the benefits of smart metering are expected to be delivered through the installation, enrolment and operation of SMETS2 meters operated through the DCC. Whilst the Government recognises the role that SMETS1 meters have played in providing early learning for industry and enabling the early benefits of smart to be realised, it is important to ensure that the greater benefits that SMETS2 meters offer are realised as soon as possible.

63   There may also be benefits from SMETS1 meters being enrolled into the DCC, and the DCC providing the remote communications service. In particular, consumers with SMETS1 meters may find it easier to retain smart functionality when switching suppliers, and industry may not need to support different smart meters remote communication interfaces.

64   Therefore, this document proposes an approach to deliver the transition to SMETS2 metering devices, and the process for the DCC to assess, and report to the Secretary of State on, the feasibility of enrolling and providing a remote communications service for SMETS1 meters.

7.1 Managing SMETS1 Installations

Strategic Context

65   The Government has already stated that the roll-out licence conditions will be amended to enable more than one SMETS version to be in force contemporaneously and that in time we will require that only SMETS2 meters are installed. To ensure this transition, the Secretary of State will decide when new installations of SMETS 1 meters cease to count towards Suppliers' roll-out targets[8]. This document sets out our consideration of, and proposal for, different regulatory options to achieve this goal.

Options considered

SMETS1 End Date

66   One option would be a 'SMETS1 End Date', a specified point in time from which the installation of SMETS1 meters cease to count towards supplier roll-out targets.

67   In considering the SMETS End Date, we have had regard to the following:

- Suppliers should be able to continue to install SMETS1 meters until DCC communication is stable so that consumers can benefit from the early availability of smart services;
- A period of time after DCC live when both SMETS versions can be installed could help industry transition from the installation of SMETS1 to SMETS2 meters; and
- Given the aims of the programme to ultimately move to a SMETS2 solution, any end date should be at the earliest feasible opportunity after DCC Live.

68   Therefore, we have considered the following options for a SMETS1 end date:

- Shortly after DCC Live – this date would ensure that suppliers move to SMETS2 installations as soon as possible, but there would be a risk that the DCC's communication service will not have fully stabilised;
- 12 months after DCC Live – this option would enable suppliers to continue to install SMETS1 meters during the anticipated 12 month period of 'stabilisation and scale' post DCC Live;
- 18 months after DCC Live – this date would provide suppliers greater time to transition to SMETS2 installations, but may result in fewer consumers and industry benefitting from SMETS2 until relatively close to 2020.

69   Overall, our current view is that a SMETS1 End Date of DCC Live plus 12 months balances the need to ensure that DCC SMETS2 communication services is stable and

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[8] Government Response to the consultation on changes to equipment installation requirements and the governance arrangements for technical specifications, July 2014

provides suppliers a transition period, with ensuring that an enduring SMETS2 solution is made available at the earliest reasonable date.

Capping SMETS1 Installations

70   DECC has also considered the merits of setting a 'cap' on the total number of SMETS1 metering devices that an individual supplier can install as a proportion of its total rollout profile. This could potentially, although not necessarily, be introduced alongside an End Date. Such an approach could help to provide a limit on each supplier in proportion to their consumer base and could also allow for an overall limit on SMETS1 numbers to be set. We are currently of the view that a SMETS1 end date exclusively would be preferable but would welcome stakeholder feedback on the merits and disadvantages of both options.

Proposal

71   The Government therefore proposes that a SMETS1 end date should be set at DCC Live plus12 months.

Consultation Question	
14.	Do you agree with the proposal to set a SMETS1 end date of DCC Live plus 12 months? Please provide evidence for your answer.
15.	What are the advantages and disadvantages of a SMETS1 'cap' on individual suppliers both in combination with an End Date and as the sole means that SMETS1 meter installations are regulated? How could such regulation best be designed? Please provide evidence for your answer.

7.2 SMETS1 Enrolment and Adoption

Strategic Context

72   DECC has consulted on the requirement for the DCC to undertake an Initial Enrolment Project Feasibility Report (IEPFR), to evaluate and report to the Secretary of State, on, options for the enrolment of SMETS1 meters with the DCC[9]. The SEC text to achieve this outcome was also recently concluded upon as part of the SEC 4 consultation and has now been incorporated into the SEC[10].

73   The Secretary of State has now commenced the IEPFR process by directing the DCC to send an invitation to suppliers by May 2015 asking them to put forward details of their SMETS1 meters for inclusion within the scope of the IEPFR (the direction is available at at: https://www.gov.uk/government/consultations/smart-metering-rollout-strategy). This will enable the DCC to report to the Secretary of State on options for enrolment, and should an enrolment option be approved by the Secretary of State, ultimately migrate SMETS1 meters into its smart meters communications service.

74   DECC has previously set-out a number of factors that will be considered when determining the IEPFR commencement date[11]:

- Enrolment of meters will reduce the risk of meter equipment asset stranding or a dispute following a change of supplier event and therefore there may be advantages in enrolling SMETS1 meters at the earliest possible opportunity (and early commencement of the IEPFR process will help achieve this).

- Alternatively, delaying enrolment activity until there is a sufficient population of SMETS1 meters to be enrolled would provide clarity over the number and type of meters that will be eligible for enrolment and could ensure project costs are optimised and/or the number of separate projects are minimised.

- The Initial Enrolment Project should be undertaken at a point in time which does not present any risks to the development and implementation of the DCC systems and services which enable enrolment of SMETS2 meters.

75   In directing the DCC to invite suppliers to put forward SMETS1 meters for inclusion within the scope of the IEPFR, DECC has considered the advantages of potential enrolment of SMETS1 meters at the earliest possible opportunity. In addition, the DCC has provided assurances that the development and implementation of the DCC systems

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[9] Smart Metering Implementation Programme Response and Further Consultation on the Regulatory Arrangements for Enrolment and Adoption of Foundation Meters & Consultation on the Arrangements to Support Churn of an Enrolled Smart Metering System from a DCC User to a non-User, March 2014

[10] Government response to consultation on: Stage 4 Smart Energy Code (SEC) content (Part A) and Transitional arrangements in the Smart Energy Code (SEC), and Consultation on additional SEC content, November 2014

[11] Smart Metering Implementation Programme Response and Further Consultation on the Regulatory Arrangements for Enrolment and Adoption of Foundation Meters & Consultation on the Arrangements to Support Churn of an Enrolled Smart Metering System from a DCC User to a non-User, March 2014

and services which enable enrolment of SMETS2 meters will continue to be its priority and will be unaffected by the undertaking of the IEPFR process.

76   It is important that the process by which the DCC produces the IEPFR is efficient, and doesn't unnecessarily take up DCC and stakeholder resources. It is therefore DECC's intention to direct a variation to the process previously set out in the SEC (no less than fourteen days from the date of the publication of the first direction). This variation will:

- Require the DCC to provide opportunities for suppliers to update the DCC on proposed SMETS1 metering devices for inclusion in the IEPFR, prior to the finalisation of the IEPFR for formal consultation; and

- Consequently remove the requirement for the DCC to provide suppliers two weeks to update their SMETS1 submissions after the IEPFR consultation[12].

77   The intention behind this change is to improve the overall efficiency of the process by minimising the risk of a notification by a supplier of a significant change in requirements of meters to be enrolled at the end of the DCC's work to produce the IEPFR. It should be noted that such a notification could have the effect of requiring another phase of analysis, evaluation of options, and consultation prior to reporting to the Secretary of State, thereby lengthening the overall process.

78   It will continue to be important that suppliers ensure that any updates on the proposed number and variants of SMETS1 metering devices for consideration as part of the IEPFR are complete and accurate.

79   The DCC has provided assurances that, subject to formal publication of IEPFR timescales, other parties meeting their obligations, and the process changes to the IEPFR process; it anticipates submitting the IEPFR to the Secretary of State for consideration around the third quarter of 2016. The timeframe for migration of SMETS1 meters will be set-out in the DCC consultation on the IEPFR in quarter two of 2016, as this will be heavily influenced by supplier SMETS1 submissions earlier in the process.

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[12] SEC Section N4.7-4.9

Annex A. Consultation Questions

	Consultation Question
1	Do you agree with the minded to position to set a de-minimis obligation for all large suppliers to install, commission and enrol 1,500 SMETS 2 meters or 0.025% of total meter points (whichever is the lower) within six months of DCC Live? Please explain your rationale and provide evidence.
2.	Do you agree that given the importance of consumers continuing to receive smart metering benefits upon change of supplier, all suppliers should be Users at DCC Live plus 12 months? Please provide evidence to support your position.
3.	Do you agree that given the importance of consumers continuing to receive smart metering benefits upon change of supplier, all suppliers should be Users at DCC Live plus 12 months? Please provide evidence to support your position.
4.	Do you agree that electricity DNOs should be mandated to be DCC Users from DCC Live? Please provide evidence to support your position.
5.	Would a direction from the Secretary of State, focused on electricity DNOs only, to be ready for Interface Testing provide additional impetus to be ready for DCC Live?
6.	Please provide views on whether iDNOs should be mandated to become DCC Users from DCC Live plus12 months. Please provide evidence to support your position.
7.	Do you agree with the position not to mandate GTs and iGTs to become Users at the present time? Please provide evidence to support your position.
8.	Are there benefits that could be driven by imposing a DCC Mandate for GTs and iGTs before the end of rollout? Please provide evidence to support your position.
9.	Do you agree that 'Install and Leave' should be permitted where expected WAN coverage is not available; but only in cases where HAN is established? Please explain your rationale.
10.	Do you think there are grounds for the Government enabling "proactive" Install and Leave and would your organisation use it as part of their rollout strategy? Please explain how you would mitigate the potential challenges to consumer experience.
11.	Do you agree that the Government's minded to position on 'Install and Leave' should

Consultation Question	
	apply to both SMETS1 and SMETS2 installations? Please provide views on specific issues you think the Government would need to consider in implementing this provisional policy position; and in particular whether there is a suitable period of time during which we would expect WAN coverage to become available, where this has not been available on installation.
12.	Do you agree that the Government does not need to regulate to exclude operation of SMETS meters in PPM mode from the scope of its minded to policy position on 'Install and Leave'? Please explain your company's strategy for handling PPM where *the WAN is not available at the point of installation.*
13.	Do you agree with the proposal to enact the New and Replacement Obligation in mid-2018?
14.	Do you agree with the proposal to set a SMETS1 end date of DCC Live plus 12 months? Please provide evidence for your answer.
15.	What are the advantages and disadvantages of a SMETS1 'cap' on individual suppliers both in combination with an End Date and as the sole means that SMETS1 meter installations are regulated? How could such regulation best be designed? Please provide evidence for your answer.