



Department  
of Energy &  
Climate Change

# Smart Metering Implementation Programme

Government response to March 2015 consultation  
on non-domestic smart metering: the advanced  
metering exception

17 December 2015

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# Contents

General information ..... 4

Introduction ..... 5

Advanced metering exception end-date ..... 7

Annex A: Responses Received ..... 11

# General information

## **Purpose of this document:**

This document sets out the Government's response to Part B of the March 2015 consultation on non-domestic smart metering (the advanced metering exception end-date).

**Issued:** 17 December 2015

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## **Territorial extent:**

This consultation response 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.

## **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.

## **Quality assurance:**

This consultation has been carried out in accordance with the Government's Consultation Principles, which can be found here:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/60937/Consultation-Principles.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/60937/Consultation-Principles.pdf)

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:

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# Introduction

## Non-domestic smart metering

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. Energy suppliers are responsible, under their standard licence conditions of electricity and gas supply (the 'Supply Licence Conditions'),<sup>1</sup> for rolling out smart meters. The Government's role is to provide the right framework and milestones against which they can plan.
3. Alongside the roll-out of smart meters to all homes in the country, the Government's vision is for all smaller non-domestic premises to benefit from smart metering. The non-domestic roll-out will cover around two million sites.<sup>2</sup> These sites are very varied: they include private and public sector organisations, and range from small shops to chain stores, from small industrial units to schools. The Programme's economic impact assessment forecasts net benefits in the non-domestic sector of around £1.9 billion.<sup>3</sup>
4. The Programme's vision for non-domestic smart metering policy, which was set out as part of the Prospectus Consultation in 2010-11,<sup>4</sup> is for:
  - Smaller non-domestic consumers to have access to smart functionality on the same timescales as domestic consumers, with robust interoperability arrangements in place.
  - The same obligations on suppliers to deliver the roll out to apply in the domestic and non-domestic sector, subject to a limited number of exceptions for the non-domestic sector.<sup>5</sup>

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<sup>1</sup> See: [www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions](http://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions)

<sup>2</sup> Licence conditions require energy suppliers to install smart metering (or in some circumstances, advanced metering) to gas sites where average annual consumption is below 732 MWh per year and all electricity sites in Profile Classes 1-4 (the majority of non-domestic electricity consumers are in profile classes 3 and 4).

<sup>3</sup> DECC (2014) *Impact assessment: Smart meter roll-out for the domestic and small and medium non-domestic sectors (GB)*, available at:

[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/276656/smart\\_meter\\_roll\\_out\\_for\\_the\\_domestic\\_and\\_small\\_and\\_medium\\_and\\_non\\_domestic\\_sectors.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/276656/smart_meter_roll_out_for_the_domestic_and_small_and_medium_and_non_domestic_sectors.pdf). Appraisal period 2013-2030.

<sup>4</sup> See: [www.gov.uk/government/consultations/delivering-smart-meters-to-homes-and-businesses](http://www.gov.uk/government/consultations/delivering-smart-meters-to-homes-and-businesses)

<sup>5</sup> These exceptions include the advanced metering exception and the DCC opt-out. In addition smart meters in the non-domestic sector will not be required to include a gas valve and suppliers are not required to offer an IHD to their non-domestic customers.

5. Having reflected on how the Programme has evolved since the Prospectus consultation and response were published, we can confirm that our aim is for the non-domestic smart metering roll-out to deliver the following high-level objectives:

Smart functionality, with limited exceptions and robust interoperability provisions in place, to deliver:

- Reduced energy use and better informed consumers;
- Supporting switching, and therefore...
- ... a more efficient and competitive energy supply market;
- A platform for wider smart benefits;
- A secure and effective end-to-end solution.

### March 2015 consultation on non-domestic smart metering

6. Between March and June 2015 the Government consulted on two issues relating to the roll-out of smart and advanced meters to the non-domestic sector: the advanced metering exception end-date and the DCC opt-out.<sup>6</sup>
7. This document sets out the Government's decisions on the advanced metering exception end-date. A separate Government response to the consultation questions relating to the DCC opt-out will be published at a later date.

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<sup>6</sup> This is the existing policy which allows suppliers to use communications services other than those provided by the Data and Communications Company (DCC) for any SMETS2 meters they install at non-domestic premises (meaning that enrolment with the DCC is not required).

# Advanced metering exception end-date

Consultation Question	23 responses
5.	Do you agree with the Government's view that there is insufficient justification to extend the end-date for any advanced metering exception? If not, please provide your reasons and any evidence you wish to offer in support of your view.

## Summary of Issue under Consideration

There is currently an exception to the smart meter roll-out licence conditions that allows the installation of advanced meters to meet the roll-out obligation at designated non-domestic sites prior to 6 April 2016, and between 6 April 2016 and the end-date for the smart metering roll-out (31 December 2020) where there is an existing contractual agreement to do so. Where advanced meters are installed they may remain in place beyond the end-date for the smart metering roll-out. However, they must be replaced with smart meters once they reach the end of their lives, unless they need to be advanced meters for technical reasons.<sup>7</sup> Meters installed after the exception end-date should also be smart meters.

The consultation considered whether the exception end-date should be extended. It noted that whilst advanced metering has brought substantial benefits to non-domestic consumers, the significant majority of benefits for the Programme will be enabled through the installation, enrolment in DCC and operation of SMETS2 meters. The Government's position is therefore to maximise the numbers of SMETS2 meters installed in the non-domestic market, so that consumers have access to the wider range of benefits they offer over advanced meters.

It was therefore proposed that the current exception end-date should not be extended. The consultation noted that if SMETS2 meter deployment at scale is not feasible for all suppliers, it would be possible to install SMETS1 meters to maintain roll-out momentum – and that large suppliers are likely to have systems in place to support SMETS1 meters. It was also noted that this could result in a temporary slowdown of installation activity by small suppliers, who may find it harder to secure SMETS2 equipment early in the main installation phase and may be less willing or able to invest in SMETS1 systems. However, this wasn't seen as sufficient to justify an extension to the exception end-date.

The consultation sought views, and supporting evidence, on the Government's position that there is insufficient justification to extend the end-date for the advanced metering exception.

## Summary of responses

1. Twenty-three responses were received, from a range of stakeholders including large and small suppliers, network operators, trade associations, data service providers, a consumer group, Ofgem and the DCC.<sup>8</sup> Around two-thirds of respondents disagreed with

<sup>7</sup> Under the roll-out licence conditions, advanced metering may continue to be installed where there is a current transformer electricity meter or a larger gas meter.

<sup>8</sup> See Annex A.

the view that there was insufficient evidence to support the extension of the advanced metering exception.

2. Nearly three-quarters of suppliers who responded were opposed to the consultation proposal on the grounds that retaining the current exception end-date would be disruptive to both consumer installation services and to suppliers' rollout activity. The general view was that the exception end-date should be revised to reflect the point the DCC begins operating ('DCC live'), and allow sufficient time to transition from advanced meters to SMETS2 meters. Most suppliers were concerned about timely access to SMETS2 meter variants and some small suppliers outlined their perceived difficulties in accessing SMETS2 meters and installation services.
3. Further, the suppliers who disagreed with the government's view suggested that installing SMETS1 meters as an interim solution for the relatively short timescales between the exception end-date and availability of SMETS2 meters would be challenging. They explained that this is because the SMETS1 variants that are required by some non-domestic consumers are not available and, for small suppliers in particular, they do not have the ability to develop the systems and processes required to support SMETS1 at short notice for a relatively limited period.
4. Other respondents who disagreed with the government's view argued that advanced meters meet the needs of non-domestic consumers and are already delivering benefits to these consumers. Several respondents questioned the appropriateness of the smart metering mandate for these businesses. One respondent suggested that the extension for advanced meters should be considered until an alternative cost-effective solution to accessing consumer data from the DCC is established.
5. Those who agreed with the proposal that the exception end-date should remain at April 2016 included two large suppliers, one small supplier and a consumer group. Generally these respondents noted that smart meters deliver additional benefits over advanced meters, such as network benefits. They considered that extending the advanced metering exception end-date would delay the realisation of these benefits.
6. A large supplier and a metering and communications company raised the issue of the lack of interoperability of advanced meters on change of supplier. The large supplier argued that this issue was an additional reason for retaining the current end-date, but noted that this position should be revisited if DCC live was delayed. The metering and communications company took a different view, recommending that the advanced metering exception is extended until interoperability is solved.

## **Government conclusion**

7. In light of the evidence provided in consultation responses, which has been supplemented by discussions with a number of stakeholders including suppliers, trade associations and meter asset providers, we have reconsidered the advanced metering exception end-date.
8. We recognise that retaining the current advanced metering exception end-date could lead to suppliers pausing installation activity because of limited availability of SMETS2



meters and variants and issues around using SMETS1 as an interim solution. In particular, we consider a potential slowdown may result in:

- Impacts on consumers' access to energy consumption data and other energy services that can be delivered by advanced meters;
- Installation of (non-smart/non-advanced) legacy meters during a potential slowdown, which could lead to consumer inconvenience and increased supplier costs as they would have to be replaced by end-2020;
- Reduced operational efficiency and productivity of suppliers' installer operations if fewer meters are installed during a potential slowdown.
- Disruption to other supply chain services, such as data services and meter asset financing, as a potential slowdown will reduce the requirement for these services.

9. Extending the end-date would allow the continued roll-out of advanced meters to non-domestic customers and the risk of a potential slowdown and the associated negative impacts set out above would be avoided. We have weighed this up against the impact on our overall objective of maximising deployment of SMETS2 meters in the non-domestic sector, and implications for the smart metering business case due to the increased costs and reduced benefits of advanced meters compared to smart meters.<sup>9</sup> On balance, we consider that a limited extension to the exception end-date is justified.

10. We recognise that some of the functionality required in the non-domestic sector, in particular half-hourly data retrieval, will become available in the second live release of the DCC in September 2016 (with one month's contingency, to October 2016). Suppliers will require a period of transition from advanced meters to SMETS2 once this functionality becomes available for testing. As large suppliers are expected to drive the initial market for SMETS2 meters and variants, we consider that 6 months is a sufficient period for them to make this transition.

11. For small suppliers, we recognise that there may be issues around the availability of SMETS2 meters and variants in the period immediately after DCC live. As noted above we expect large suppliers will drive this market therefore sufficient SMETS2 meters and variants will become available to small suppliers. We consider an end-date of 12 months following initial DCC Live will give small suppliers sufficient time to prepare for the rollout of SMETS2 meters, including accessing meter variants, and transition from advanced meters.

12. We have therefore decided to extend the advanced metering exception end-date from April 2016 to:

- 28 April 2017 for large suppliers; and
- 17 August 2017 for small suppliers.

13. The current arrangements, which allow advanced meters to be installed beyond the exception end-date where contracts are in place prior to 6 April 2016, will be retained and this deadline will not be extended. This means suppliers will still be able to install advanced meters after the end-dates noted in paragraph 12 but only if a contractual

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<sup>9</sup> The impacts on the business case will be included in the forthcoming updated smart metering Impact Assessment.

agreement is in place prior to 6 April 2016.<sup>10</sup> This decision is intended to limit deployment of advanced meters after the end-date and drive suppliers toward installing SMETS meters and variants.

14. Overall we consider this approach strikes the optimal balance between maximising deployment of smart meters while avoiding the downsides of a potential slowdown and the associated disruption to suppliers' business activity and consumer choice that maintaining the current April 2016 end-date could result in.
15. Alongside this consultation response we have published a further consultation on the draft legal text giving effect to the Government's decision. See: <https://www.gov.uk/government/consultations/consultation-on-non-domestic-smart-metering-draft-legal-text-extending-the-advanced-metering-exception-end-date>

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<sup>10</sup> For the avoidance of any doubt, suppliers may continue to install advanced meters up to the dates noted in paragraph 12 regardless of whether they have contractual arrangements in place prior to 6 April 2016.

## Annex A: Responses Received

British Gas	IMServ
Citizens Advice	Institute of Directors
Corona Energy	Npower
DCC	Ofgem
Dong Energy	Opus Energy
EDF Energy	Pilot Systems
Electricity North West	ScottishPower
E.On	Siemens
ESTA	SSE
Good Energy	Wales & West Utilities
Haven Power	One confidential response
ICoSS	

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