



Department
of Energy &
Climate Change

Smart Metering Implementation Programme

Government response to December 2015
consultation on non-domestic smart metering: draft
legal text extending the advanced metering
exception end-date

4 February 2016

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URN 16D/011

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

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General information

Purpose of this document:

This document sets out the Government's response to the December 2015 consultation on draft legal text extending the advanced metering exception end-date in the non-domestic sector.

Issued: 4 February 2016

Enquiries to:

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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-draft-legal-text-extending-the-advanced-metering-exception-end-date>

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

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

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'),¹ 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.² 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.³
4. The Programme's vision for non-domestic smart metering policy, which was set out as part of the Prospectus Consultation in 2010-11,⁴ 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.⁵

¹ See: www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions

² 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).

³ 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. Appraisal period 2013-2030.

⁴ See: www.gov.uk/government/consultations/delivering-smart-meters-to-homes-and-businesses

⁵ 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 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.

The advanced metering exception

Summary of issue under consideration

6. 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. Following consultation, in December 2015 the Government confirmed that the period in which advanced metering may be installed would be extended from 6 April 2016, to:
 - 28 April 2017 for large suppliers; and
 - 17 August 2017 for small suppliers.
7. The Government also confirmed that current arrangements will be retained, whereby advanced meters may be installed up to the end-date for the rollout of smart meters (31 December 2020) if contracts to do so are in place prior to 6 April 2016. This means suppliers may continue to install advanced meters after the end-dates noted above, but only if a contractual agreement is in place prior to 6 April 2016.
8. For the avoidance of doubt, suppliers may continue to install advanced meters up to the relevant date noted in paragraph 6 regardless of whether they have contractual arrangements in place prior to 6 April 2016.
9. Further details on the previous consultation, and rationale for the Government's decisions, are available at: www.gov.uk/government/consultations/consultation-on-non-domestic-smart-metering
10. Draft amendments to Supply Licence Conditions to give effect to this decision were published for consultation between 17 December 2015 and 14 January 2016. Stakeholders were asked whether they agreed that the proposed legal drafting would deliver the policy position set out on the advanced metering exception end-date.⁶

Summary of responses

11. Five responses were received, all from from large energy suppliers. While each of these agreed that the proposed legal drafting delivered the policy intent, one respondent considered that the decision to introduce different end-dates for large and small suppliers has the potential to disadvantage large suppliers and would not allow for a level playing field across the industry. They also considered that this approach plus the retention of the existing contractual cut-off point of April 2016, is overly complicated and could lead to confusion among consumers, suppliers and other industry participants.

Government conclusion

12. As stated in the previous consultation response, the decision to extend the advanced metering exception end-date was taken having weighed up two key considerations. On one hand, allowing the continued roll-out of advanced meters to non-domestic customers would avoid the risk of a potential slowdown and the associated negative impacts this

⁶ See: www.gov.uk/government/uploads/system/uploads/attachment_data/file/486156/AME_legal_text_consultation_FINALE.pdf

could have for consumers, suppliers and supply chain services in the period prior to availability of SMETS2 meters and variants. On the other hand, allowing advanced meters to be installed for longer would have implications for our overall objective of maximising deployment of SMETS2 meters in the non-domestic sector and impacts the smart metering business case due to the increased costs and reduced benefits of advanced meters compared to smart meters. On balance, we therefore consider that a limited extension to the exception end-date is justified.

13. In addition, we consider that differential end-dates for large and small suppliers is appropriate given the different market conditions they face. In particular, large suppliers are expected to drive the initial market for SMETS2 meters and variants once the DCC starts operating. Small suppliers may face issues in accessing SMETS2 meters and variants in the period immediately after DCC live. This means that sufficient SMETS2 meters and variants will not become available to small suppliers until a later point, compared to large suppliers. Therefore we consider that allowing small suppliers to install advanced meters for longer is necessary to ensure an effective transition to SMETS2 meters and avoid a potential slowdown in the period before they are available.
14. While we recognise that this approach introduces further regulatory complexity compared to a single end-date for all suppliers, this will apply for a limited period only. As noted above, our overall aim is to maximise deployment of SMETS2 meters in the non-domestic sector and we consider that the proposed end-dates deliver this objective in a proportionate way, reflecting the nature of the energy supply market. We will continue to monitor progress in the non-domestic sector as part of our ongoing engagement with suppliers and other stakeholders.
15. As all respondents to the consultation considered that the draft legal text delivered the policy objective, we do not propose making any material amendments to the legal text that was consulted on.⁷ The amended legal text will now be laid in Parliament for approval.

⁷ We have corrected a minor error to one of the headings in the gas supply licence.

Annex A: Responses Received

British Gas	Npower
EDF Energy	SSE
E.On	

Annex B: Amendments to Supply Licence Conditions text

[Attached separately]

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