



Department
of Energy &
Climate Change

Smart Metering Implementation Programme

Government response to the Smart Metering
Rollout Strategy consultation

31 July 2015

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General information

Purpose of this document:

This document sets out the Government's response to the consultation on the Smart Metering Rollout Strategy. The Rollout Strategy consultation sought 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 included proposals that will help drive SMETS2 deployment following DCC Live, maximising benefits realisation and improve the consumer experience.

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Territorial extent:

This consultation and Government 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:

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

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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:

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Executive Summary

1. Smart meters are the next generation of gas and electricity meters and will offer a range of functions that will benefit both consumers and the energy industry. The rollout of smart meters should be achieved in a cost effective way to optimise these benefits. In March 2015 the Government issued a consultation on the [Smart Metering Rollout Strategy](#), with proposals to drive SMETS2 installations; ensure parties become Data Communication Company (DCC) Users; deliver consumer benefits in an efficient rollout; ensure all new and replacement connections are smart; and setting a SMETS1 end date.
2. The consultation closed on 19 May 2015 and 39 responses were received. Following analysis of the consultation responses, the Government has taken the decisions summarised below and will consult where required on draft regulations to implement these policy conclusions in the autumn.

Driving SMETS2 installations

3. The Government will introduce an obligation on large suppliers to take all reasonable steps to install, commission and enrol 1,500 SMETS2 meters or 0.025% of total meter points (whichever is the lower) by 1 February 2017 (i.e. DCC Live plus 6 months), or a later date as specified by the Secretary of State.¹
4. A supplier will be determined to be large for this obligation if they meet the SEC definition of a large supplier on or before 15 February 2015.² This aligns with the date at which suppliers will be deemed to be large for the Interface Testing obligation. A large supplier's total number of meter points will be calculated on the date they are confirmed as a DCC User by the SEC Panel. The obligation will apply on a per organisation basis, rather than per licence, in accordance with the original intention.

Mandating parties to become DCC users

Suppliers

5. The Government will introduce an obligation for all energy suppliers to become DCC Users by 1 August 2017 (i.e. DCC Live plus 12 months) or a later date as determined by the Secretary of State. Furthermore, we expect suppliers will use their DCC capabilities to maintain smart services for customers who switch suppliers.
6. This obligation will apply at least to all domestic suppliers. The decision on the obligation for non-domestic suppliers will be concluded in the Government response to the consultation on the non-domestic DCC opt out in the autumn.³

¹ For clarification of 'DCC Live', please see paragraph 31 below.

² See Section A of the SEC – a supplier that supplies electricity and/or gas to 250,000 or more domestic premises.

³ [Consultation on non-domestic smart metering: the DCC opt-out and the advanced metering exception](#)

Distribution Network Operators

7. The Government maintains a clear expectation that Distribution Network Operators (DNOs) should continue work to be ready to complete User requirements by DCC Live. However, we acknowledge that a mandate for DNOs to be Users from DCC Live could present practical challenges for the DCC's test management and we recognise the need for flexibility to prioritise large suppliers in the Interface Testing phase. We will therefore introduce an obligation for DNOs to become DCC Users by 1 February 2017 (i.e. DCC Live plus 6 Months) or a later date as determined by the Secretary of State.

Independent Distribution Network Operators

8. The Government has concluded not to mandate a date for Independent Distribution Network Operator (iDNOs) to become DCC Users at the present time, given the lack of clear cost and benefit data regarding such a mandate - particularly in the early rollout phase. We also recognise concerns about the ability of iDNOs to recover fixed DCC costs, and costs incurred to become a DCC User, because of the constraints of the current relative price control and charging methodology arrangements.
9. We remain committed, however, to the key principle that consistent service and benefits should apply to customers no matter where they are connected. We therefore expect the iDNOs to continue work with DNOs, Ofgem and DECC to develop a collective understanding of the potential benefits of iDNOs becoming DCC Users and possible alternative approaches (e.g. technical, operational) for ensuring network benefits flow to iDNO customers. We also expect iDNOs to continue engaging with stakeholders to review cost recovery options. We will keep the position regarding the timing of when iDNOs could become DCC Users under review.

Gas Transporters and Independent Gas Transporters

10. The Government will retain the consultation position not to mandate Gas Transporters (GTs) and Independent Gas Transporters (iGTs) to become DCC Users at the present time. We maintain, however, the clear expectation that GTs should become DCC Users prior to the end of the rollout in 2020 and that GTs and iGTs continue engaging with stakeholders to understand and quantify the benefits. We will keep the position regarding the timing of iGTs becoming DCC Users under review.

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

11. The Government concludes that a supplier should be able to Install and Leave in situations where it reasonably expects the Wide Area Network (WAN) to be available prior to the installation visit on the basis of the DCC coverage checker, but at the time of installation of the smart metering system it transpires that WAN is in fact not available. As per the DCC Service Level Agreement, WAN would need to be established within 90 days of the installation.
12. This 'reactive' approach to Install and Leave is being made available as an option that suppliers may choose to take up in order to support an efficient rollout, but it will not be mandated.
13. Having considered the issue further, Government has decided that, under the scenario above, establishment of the Home Area Network (HAN) should not be an absolute requirement at the time of installation, provided appropriate safeguards are put in place to protect the consumer experience in such cases. We will seek to develop an appropriate regulatory means of incentivising suppliers to establish the HAN as soon as practicable

following the installation. We will bring forward proposals in due course to amend licence conditions to clarify that installations will not count towards suppliers' rollout obligations unless and until: the HAN is established; the customer has been offered an In-home Display (IHD) and had its function explained; and energy efficiency advice has been provided.

14. The consultation proposed that Install and Leave will not be permitted where it is known prior to installation that there would be no WAN coverage ('proactive' Install and Leave). However, the Government recognises that allowing 'proactive' Install and Leave in the case of new connections, where WAN is forecast to arrive by the end of 2020, may deliver benefits in terms of supporting an efficient rollout. There is also less scope for consumer inconvenience because the consumer would typically not be present at the point of installation. 'Proactive' Install and Leave will therefore be permitted, but only in the case of new connections.
15. The Government does not currently see a case for further intervention in relation to Install and Leave of SMETS1 meters. However, we are keeping this position under review and will take steps to introduce regulation for Install and Leave of SMETS1 meters if it is deemed necessary. The conclusions above on 'reactive' and 'proactive' Install and Leave therefore relate to SMETS2 meters only.
16. As set out in the consultation, the Government considers that installing smart meters in prepayment mode (PPM) in the absence of WAN could lead to a negative consumer experience and impact on supplier costs. We received evidence that a few suppliers are, in some cases, already installing PPM in the absence of WAN. While smart metering has the potential to transform the experience of being a prepayment customer, it is essential that appropriate protections are in place for these consumers. We will therefore gather further evidence from suppliers and consumer groups to help inform our understanding of the impact of PPM Install and Leave and will bring forward proposals should they be required.

New and Replacement Obligation

17. The Government confirms that the New and Replacement Obligation (NRO) will be introduced from mid-2018. This will require suppliers to take all reasonable steps to install a compliant smart meter where a meter is replaced or where a meter is installed for the first time (e.g. in new buildings) from this point.
18. The Secretary of State will retain the right to review this timeframe and if necessary consult on an alternative, to ensure the obligation can be implemented in practice.

SMETS1

19. The Government concludes that the SMETS1 end date should be 1 August 2017 (i.e. DCC Live plus 12 Months), after which point the installation of SMETS1 meters will no longer meet the requirements of the rollout licence condition.
20. The Government considers that 12 months from a stable DCC Live will provide sufficient time for energy suppliers to make the transition from SMETS1 to SMETS2. The Government reserves the right to review the end date if significant industry-wide impediments should materialise.

21. The Government agrees with the significant majority of respondents that currently the disadvantages of a SMETS1 device cap strongly outweigh any advantages. There are therefore no plans to introduce a SMETS1 cap.

1. Introduction

22. 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.
23. The rollout of smart meters must be achieved in a cost-effective way, optimising the benefits to consumers, energy suppliers, network operators and other providers of energy services. Smart meters will provide consumers with better information on their energy usage to encourage better energy efficiency, and enable the transition to a low carbon Britain, ensuring the supply of energy 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 under licence conditions, with Government's role being to provide the right framework and milestones against which they can plan.⁴
24. 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 effectively 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, to secure a path towards completion of the rollout by the end of 2020.
25. The Government recognises that there are further key planning assumptions that suppliers and network operators will need to make to inform robust commercial and investment decisions for the main installation stage.⁵ These decisions relate to the speed and scale of SMETS1 ramp down, installation capacity for mass rollout, SMETS2 procurement decisions and related business system changes.
26. It is important that the approach to the main installation stage enables the realisation of the full benefits of smart meters and delivers a positive consumer experience of smart metering in both the domestic and non-domestic sectors. A significant majority of the benefits of smart metering are expected to be delivered through the installation, enrolment and operation of SMETS2 meters 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 meters to be realised, it is important to ensure that the greater benefits of SMETS2 meters can be realised as soon as possible.
27. We recognise that energy suppliers and network operators should have some discretion in beginning their move to smart systems. We expect, however, that parties are able to use smart metering data and operate SMETS2 meters, at least on churn, from early in the main installation stage.

⁴ The supplier rollout obligation is the requirement on suppliers to install SMETS compliant gas and electricity meters in their domestic customer properties, and smaller non-domestic customer premises, by the end of 2020. This is set out under supplier licence conditions.

⁵ The main installation stage is the period of time between DCC Live and the end of 2020 when installations will be have been completed.

The Rollout Strategy set out proposals and sought views in the following areas:

Chapter	Objective	Regulatory mechanism
2	Driving large supplier commencement of SMETS2 installations – soon after DCC Live.	<i>Introducing de-minimis SMETS2 installation and enrolment obligation on large suppliers</i>
3	Ensuring that the benefits of smart metering remain, regardless of a consumer's energy supplier.	<i>Mandating suppliers and network operators to become DCC Users</i>
4	Ensuring an efficient rollout and optimising the consumer installation experience	<i>Install and Leave provisions</i>
5	Ensuring all new connections and replacement meters are smart	<i>Enacting the New and Replacement Obligation</i>
6	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.	<i>Setting a SMETS1 end date and starting the enrolment and adoption process for SMETS1 meters</i>

28. The Government consulted on the [Rollout Strategy](#) for smart meters through the proposals set out in the table above in March 2015. The consultation closed on 19 May 2015 and in total there were 39 responses. A list of respondents can be found at Annex A. The following chapters outline the responses received, further consideration taken and set out the Government's positions and key decisions.
29. The conclusions set out in this document also apply to non-domestic suppliers unless explicitly stated otherwise.
30. The Government will issue a further consultation in the autumn on draft regulations to implement the policy decisions set out in this document where required.

DCC Live Clarification

31. The Rollout Strategy consultation proposed a number of dates from which obligations would come into force. In the majority of cases these dates are proposed on the basis of DCC Live plus a number of months. The DCC replan announcement set an expectation for DCC to be ready for an April 2016 live date. However, in recognition of the fact that six months of contingency has been held in reserve to be drawn on where suitable justification could be made, it was recommended that other parties use a central planning assumption of August 2016 to be ready for DCC Live (notwithstanding certain regulatory obligations required ahead of this time). The Rollout Strategy consultation used this August 2016 DCC Live date as its starting point.

2. Driving SMETS2 installations

Strategic Context

32. The Government believes it is important that the installation, enrolment and operation of SMETS2 meters starts as soon as possible after DCC Live. This will allow industry parties to start stabilising and scaling their smart operations; build confidence in the central solution; and most importantly, start delivering benefits to consumers.
33. There are a number of incentives and obligations that encourage large suppliers to commence their SMETS2 rollout. This includes the obligation to be ready for the start of Interface Testing and our public expectation that they are DCC Users and preparing for live operations by the DCC Live milestone. However, given the importance of a timely SMETS2 rollout to the delivery of the Programme, the Government has considered the potential merits of an early rollout obligation for large suppliers to stimulate SMETS2 readiness for DCC Live.
34. The introduction of a regulatory obligation would help focus the industry as a whole on a clear checkpoint and provide greater confidence that all large suppliers will be installing, commissioning and enrolling SMETS2 meters as soon as possible after DCC Live.

Consultation Question	32 responses
1.	Do you agree with the minded to position to set a <i>de-minimis</i> 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.

Summary of issue under consideration

35. The minded to position set out in the consultation was considered to balance the importance of large suppliers beginning SMETS2 installations, while providing sufficient flexibility for them to determine their own rollout strategies. Although we expect that suppliers are likely to be installing SMETS2 meters in volumes greater than the *de-minimis* obligation within six months of DCC Live, such an obligation would encourage a minimum amount of activity and generate rollout momentum.

Summary of responses

36. There was broad support for the principle of the early rollout obligation from respondents in all sectors. From those that supported the proposal, the largest call for clarification was related to the obligation being *de-minimis*, and one that in practice should be exceeded by suppliers. Further clarity was also sought on the application of a *de-minimis* obligation if DCC Live were constrained.
37. A consistent area of feedback was around the need for any licence obligation to be carefully drafted in order to avoid unintended consequences. A particular concern was around drafting the obligation so that suppliers would not be forced to breach the licence condition when seeking to safeguard consumer experience and /or safety, and that it be

based on 'all reasonable steps'. Clarity was also sought on whether the obligation applies on a per-organisation or per-licence basis and when the threshold for being counted as a larger supplier would apply. One respondent suggested that it should be linked to the date already specified in the Smart Energy Code (SEC) 4A (in relation to the interface testing obligation) to ensure that related obligations are applied consistently to the same set of suppliers.⁶

38. Of those that disagreed with the proposal, the main point made was that the obligation did not go far enough and volume targets were too low. Two respondents suggested that they did not agree with the proposal as they believed SMETS2 meters offer no additional benefits to those provided by SMETS1.
39. One respondent also suggested that any target would need to be at a level that did not disrupt elements of device testing, which could have cost impacts.

Government response

40. The full benefits of smart metering are expected to be delivered through the installation, enrolment and operation of SMETS2 meters. The Government expects that large suppliers will install, commission and enrol more SMETS2 meters than proposed under the de-minimis target. However, we remain of the opinion that a de-minimis obligation will provide greater certainty to the industry as a whole and ensure all large suppliers are able to demonstrate progress towards their rollout targets, while maintaining their own rollout plans.
41. Therefore, in line with the minded to position set out in the consultation, the Government will introduce an obligation on large suppliers to take all reasonable steps to install, commission and enrol 1,500 SMETS2 meters or 0.025% of total meter points (whichever is the lower) by 1 February 2017 (i.e. DCC Live plus 6 months), or a later date as specified by the Secretary of State.
42. Allowing for the provision of 'a later date as specified by Secretary of State' is intended to manage the unlikely event that general, industry-wide impediments prevent all large suppliers meeting their obligation by 1 February 2017. Such impediments may include the use of time contingency and delays to DCC Live and/or the introduction of constraints on the volume of SMETS2 meters that can be installed in the early rollout period.
43. Government also recognises that there may be circumstances when an individual supplier makes all efforts to meet the obligation but due to external circumstances is unable to achieve the de-minimis target. Although this outcome is considered very unlikely, the inclusion of an 'all reasonable steps' provision would allow these circumstances to be taken into account.
44. A supplier will be determined to be large for this obligation if they meet the SEC definition of a large supplier on or before 15 February 2015.⁷ This aligns with the date at which suppliers will be deemed to be large for the Interface Testing obligation. A large supplier's total number of meter points will be calculated on the date they are confirmed as a DCC User by the SEC Panel. Government can also clarify that the obligation will apply on a per organisation basis, rather than per licence, in accordance with the original intention.

⁶ Section T3.2 or T5.28 of the SEC

⁷ Section A of the SEC – a supplier that supplies electricity and/or gas to 250,000 or more domestic premises.

3. Mandating parties to become DCC Users

Strategic Context

45. The Government regards it as 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. In order for this to be achieved, all energy suppliers will need to become DCC Users as soon as possible to minimise the instances where a change of supplier event results in a consumer moving from an energy supplier using DCC services to one that is not.
46. Given the decision taken to implement the early rollout obligation (see Chapter 2), large suppliers will need to be DCC Users shortly after DCC Live. 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 continue to provide smart services and benefits to SMETS2 customers who choose to switch to them.
47. Electricity Distribution Network Operators (DNOs) and Independent Distribution Network Operators (iDNOs) also have a key role to play in the SMETS2 smart metering system and will deliver important benefits through the receipt and response to device generated alerts (e.g. power outage). We have already set out our expectation that electricity DNOs will be Users by DCC Live. However, to date we have not set similar expectations for iDNOs, recognising some of the additional readiness challenges they face.
48. In addition to the parties outlined above, there are other parties, such as Gas Transporters (GTs) and independent Gas Transporters (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 many of these parties to become DCC Users before the end of rollout in 2020.

Consultation Question	32 responses
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.

Summary of issue under consideration

49. Requiring all suppliers to become DCC Users will ensure consumers can continue to realise smart metering benefits upon change of supplier. A date earlier than DCC Live plus 12 months was not considered to be realistic or achievable for all suppliers, and a later date was considered to have negative consumer and benefits impacts.

Summary of responses

50. The majority of respondents agreed with the proposal on the basis that all suppliers becoming DCC Users would support a positive consumer experience and minimise the risk of a loss of confidence in smart meters through switching from a DCC User to non-DCC User. Some respondents who disagreed with the proposal argued that the mandate should be brought in earlier than proposed.
51. One respondent suggested that the mandate should be later or not be introduced at all as commercial incentives should be sufficient for suppliers to become DCC Users.
52. Other respondents who disagreed raised the following points:
 - The need to be clear that the DCC service is robust before imposing this requirement.
 - A suggestion there should be a trigger rather than a set date and that certain criteria should be met before suppliers can become DCC Users.
 - One respondent suggested business-only suppliers should be excluded from the requirement because it is more difficult for them to manage procurement risks associated with SMETS2 meters, compared with suppliers with a domestic portfolio.

Government response

53. The Government considers it important that consumers who have had a SMETS2 meter installed can continue to receive smart services if they choose to change supplier. We also consider that commercial incentives alone should not be relied on to ensure this happens. In line with the majority of responses received, the Government will introduce an obligation for all energy suppliers to become DCC Users by 1 August 2017 (i.e. DCC Live plus 12 months) or a later date as determined by the Secretary of State.⁸ Furthermore, we expect suppliers will use their DCC capabilities to maintain basic smart services for customers who switch suppliers.
54. We believe that a date of 1 August 2017 provides a reasonable balance between minimising the impact of customers switching from a DCC User to non-User and the fact that a large number of small suppliers are significantly early in their preparations. This obligation is intended to provide clarity for all suppliers as to the expectations on them following DCC Live, whilst allowing for the Secretary of State to set a later date in the event that external factors have a negative impact on the ability of all suppliers to be ready for this point in time.
55. This obligation will apply at least to all domestic suppliers. The decision on the obligation for non-domestic suppliers will be concluded in the Government response to the consultation on the non-domestic DCC opt out in the autumn.⁹

⁸ Suppliers are to be confirmed as DCC Users by the SEC Panel, as per SEC section H1.11.

⁹ [Consultation on non-domestic smart metering: the DCC opt-out and the advanced metering exception](#)

Consultation Question

- | | |
|----|--|
| 3. | Question three in the original consultation was a duplicate of question two. Please see above. |
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Consultation Question

30 responses

- | | |
|------|---|
| 4/5. | Do you agree that electricity DNOs should be mandated to be DCC Users from DCC Live? Please provide evidence to support your position.
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? |
|------|---|

Summary of issue under consideration

56. DNOs are an important component of the future smart grid and a crucial contributor to the overall smart metering system. In order to start realising the network associated benefits of smart metering as soon as possible, DNOs will need to have DCC interfaces in place and be ready to receive and respond to smart meter data at or shortly after DCC Live.
57. Government has already set expectations that DNOs should be ready to support the rollout of SMETS2 meters and be active DCC Users from the point of DCC Live. Setting an obligation on electricity DNOs to be DCC Users by DCC Live would align with these expectations and support large suppliers in delivering SMETS2 benefits as they roll out from DCC Live. In considering the overall merits of such an obligation, the scale of the costs and benefits, as well as the wider impacts on programme planning and system management, must be taken into account.

Summary of responses

58. The majority of responses agreed with the proposal on the basis that it would encourage readiness to support early SMETS2 rollout.
59. However, there were a number of respondents who suggested that the value of benefits in the early rollout period following DCC Live would be relatively low. There were also strong suggestions that a requirement on DNOs from DCC Live would add additional pressure on initial user testing with the DCC, which could potentially lead to increased costs (e.g. additional testing environments) and/or increased risks of delays to DCC Live milestones.

Government response

60. The Government maintains a clear expectation that DNOs should continue their work to be ready to complete User requirements by DCC Live. However, we acknowledge that a mandate for DNOs to be Users from DCC Live could present practical challenges for the DCC's test management and we recognise the need for flexibility to prioritise large suppliers in the Interface Testing phase. We will therefore introduce an obligation for DNOs to become DCC Users by 1 February 2017 (i.e. DCC Live plus 6 Months) or a later date as determined by the Secretary of State.¹⁰

¹⁰ DNOs are to be confirmed as DCC Users by the SEC Panel, as per SEC section H1.11.

61. The revised date for the DNO user mandate reflects a pragmatic approach to DCC testing that minimises the potential for additional risk to DCC Live timescales and costs. Given that most network benefits need a critical mass of SMETS2 meters before they are fully realised, Government considers the impact on DNO benefits of the 1 February 2017 date to be minimal, and outweighed by the test management risks. The Government also considers it advantageous to align the DNO user mandate date with the early rollout obligation date when the rollout of SMETS2 meters is expected to ramp up significantly.

Consultation Question		23 responses
6.	Please provide views on whether iDNOs should be mandated to become DCC Users from DCC Live plus 12 months. Please provide evidence to support your position.	

Summary of issue under consideration

62. As with DNOs, the Government believes that iDNOs have an important role in delivering smart meter and smart grid benefits to Great Britain. We also believe that it is important for all consumers to have access to these network benefits no matter where they live or work, especially given that consumers do not have a choice about who their network operator is.
63. However, like small suppliers, it is clear that iDNOs face a challenge in readying themselves for DCC Live. Additionally, iDNOs have different asset bases and operating models to DNOs, which raise different cost and benefit considerations. The consultation therefore proposed to introduce a mandate for iDNOs to become DCC Users 12 months after DCC Live, at the same point that all suppliers would be mandated.

Summary of responses

64. A small majority agreed with this proposal, on the basis that the full benefits to all parties are only realised when all relevant industry parties are Users. Some respondents suggested that the timetable for iDNOs should be the same as DNOs. Other respondents raised concerns over the DCC's testing capacity.
65. One respondent argued strongly against the proposal on the basis that there are high and uncertain costs of becoming a DCC User and that iDNOs are currently unable to recover these costs.
66. It was also argued that network benefits have less relevance for iDNOs and their end customers because of: low meter volumes (particularly in early years of rollout); the prevalence of outage faults being triggered on the upstream DNO network; and network design (e.g. one iDNO reported only one voltage fault call per year for the last four years).

Government response

67. The Government has concluded not to mandate a date for iDNOs to become DCC Users at the present time, given the lack of clear cost and benefit data regarding such a mandate - particularly in the early rollout phase. We also recognise concerns about the ability of iDNOs to recover fixed DCC costs, and costs incurred to become a DCC User, because of the constraints of the current relative price control and charging methodology arrangements.

68. We remain committed, however, to the key principle that consistent service and benefits should apply to customers no matter where they are connected. We therefore expect the iDNOs to continue work with DNOs, Ofgem and DECC to develop a collective understanding of the potential benefits of iDNOs becoming DCC Users and possible alternative approaches (e.g. technical, operational) for ensuring network benefits flow to iDNO customers. We also expect iDNOs to continue engaging with stakeholders to review cost recovery options. We will keep the position regarding the timing of when iDNOs could become DCC Users under review.

Consultation Question	19 responses
7/8.	<p>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.</p> <p>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.</p>

Summary of issue under consideration

69. While the current Impact Assessment for smart metering 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. The Government does not see a compelling case to require GTs or iGTs to become DCC Users at an early stage after DCC Live. However, we recognise that there could be merit in GTs and iGTs being required to become DCC Users before the end of the rollout.

Summary of responses

70. Of those that answered this question, a small majority were in support of the proposal because the benefits of making GTs and iGTs Users at this time are unclear and significant costs would be imposed. Those who disagreed did so predominantly on the basis that their involvement would achieve full benefits and a better consumer experience, particularly in the case of iGTs who provide new connections on independent gas networks.
71. A majority of respondents felt that there would be benefits to imposing a DCC User mandate for GTs and iGTs before the end of rollout, though suggested that further exploration of the topic should be undertaken to better understand the issues. It was also recommended that any mandate is staggered with other User mandates to manage the pressure on DCC testing.

Government response

72. The Government will retain the consultation position not to mandate GTs and Independent iGTs to become DCC Users at the present time. We maintain, however, the clear expectation that GTs should become DCC Users prior to the end of the rollout in 2020 and that GTs and iGTs continue engaging with stakeholders to understand and quantify the benefits. We will keep the position regarding the timing of iGTs becoming DCC Users under review.

4. Delivering consumer benefits in an efficient rollout – ‘Install and Leave’

Strategic Context

73. The consumer experience of smart meter installations is an important aspect of the overall rollout – evidence from the Early Learning Project has shown a link between people’s installation experience and their satisfaction with smart meters.¹¹ It is therefore vital that the installation process is as smooth as possible and is a positive experience for consumers. The consultation considered whether suppliers should be permitted to Install and Leave a smart metering system in certain scenarios when the Wide Area Network (WAN) is unavailable. Clarity on this issue is important to aid suppliers in building their internal systems, developing installation field force capability and their investment decisions.
74. Allowing suppliers to Install and Leave a smart metering system without establishing the WAN might, in certain scenarios, help support an efficient rollout and ensure some consumer benefits are realised from the point of installation. Avoiding aborted visits will reduce wasted cost and might also improve consumer convenience and experience, particularly since SMETS2 functionality allows for connection to DCC WAN without the need for another site visit.
75. Prohibiting Install and Leave would reduce uncertainty and variability by clarifying what suppliers are required to do in the event of unavailable WAN connections. However, this would result in installations being aborted where there are WAN challenges and lead to greater numbers of poor consumer experiences and greater costs for industry.
76. The consultation sought views on the following aspects of the proposed Install and Leave policy:
- Whether suppliers should be permitted to Install and Leave where expected WAN coverage is unavailable, provided the Home Area Network (HAN) is established (‘reactive’ Install and Leave).
 - Whether suppliers should be permitted to Install and Leave in cases where it was known that there would be no WAN coverage prior to installation but it was forecast to arrive by 2020 (‘proactive’ Install and Leave).
 - Whether Install and Leave should apply to both SMETS1 and SMETS2 meters.
 - Whether regulation is needed to prohibit Install and Leave in the case of smart meters in prepayment mode.

¹¹ <https://www.gov.uk/government/publications/smart-metering-early-learning-project-and-small-scale-behaviour-trials>

Consultation Question

30 responses

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| 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. |
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Summary of issue under consideration

77. The consultation proposed that Install and Leave should be permitted:

- a) in situations where the supplier reasonably expected the WAN to be available prior to the installation visit (i.e. on the basis of the DCC coverage checker), but the WAN was not available on installation of the smart metering system; and
- b) provided that the Home Area Network (HAN) is established at the point of installation, given the importance for the overall consumer experience of consumers receiving some smart services from the point of install (for example, visibility of their energy consumption).

This 'reactive' approach to Install and Leave would contribute to an efficient rollout while ensuring delivery of some consumer benefits from the point of installation.

Summary of responses

78. Most respondents were in agreement with the proposal that 'reactive' Install and Leave should be permitted, provided the consumer could receive some benefits (via the HAN), because this approach would enable suppliers to install more meters. Several respondents underlined that the presence of the HAN should be an absolute prerequisite so that consumers will still receive some benefits of smart meters without WAN.
79. Other respondents considered that requiring installations to be aborted in all cases where the HAN could not be established would be counter-productive, because if the communications hub is not installed as a minimum, the DCC could not resolve unexpectedly unavailable WAN.
80. There were, however, a number of concerns voiced regarding the consumer experience of such a proposal (i.e. no WAN but HAN) and suggestions for how these could be mitigated. The main concerns included:
- The potential need for repeat visits.
 - Customers being left without the full smart experience for unacceptable amounts of time.
 - Prepayment customers being particularly at risk.
 - Issues around change of tenancy and change of supplier, including data protection, while WAN isn't established.
 - Inability to update tariff information and incorrect information being displayed on the In-home Display (IHD).
 - The continuation of manual meter reads and/or estimated bills.
81. Respondents suggested that extra customer service and support would be necessary throughout the no-WAN period to ensure that consumers were fully aware of no-WAN

implications and when the WAN would be (and is) established. Several respondents suggested that a minimum level of customer service for Install and Leave should be enshrined in the Smart Metering Installation Code of Practice (SMICoP).

82. Regarding the time period that consumers can be left without WAN, the majority of respondents considered that a limit of 90 days was acceptable or stated it should be established in a 'timely manner'. Two consumer groups suggested a shorter timeframe, while two Meter Asset Providers (MAPs) suggested increasing the timeframe to 120 days.
83. Several respondents questioned whether Install and Leave would be an option or if it would be mandated. The majority of those who questioned this were in favour of allowing Install and Leave as a possibility rather than actively encouraging it, and felt this should be a decision made by the supplier and consumer. Consumer groups stated that they want Install and Leave to be used only as a last resort.

Government response

84. The Government concludes that a supplier should be able to Install and Leave in situations where it reasonably expects the Wide Area Network (WAN) to be available prior to the installation visit on the basis of the DCC coverage checker, but at the time of installation of the smart metering system it transpires that WAN is in fact not available. As per the DCC Service Level Agreement (SLA), WAN would need to be established within 90 days of the installation.
85. This 'reactive' approach to Install and Leave is being made available as an option that suppliers may choose to take up in order to support an efficient rollout, but it will not be mandated. If the HAN is established in this instance, the installation will count towards a supplier's rollout obligation, assuming that all other rollout obligations are fulfilled.
86. However, there might be instances where the HAN cannot be established. If Install and Leave were not allowed where WAN is reasonably expected and the HAN cannot be established, suppliers would leave a 'dumb' meter in situ, with no guarantee for the consumer as to when the supplier may return, due to the unpredictability of WAN availability. In a worst case scenario, this could result in the consumer having to wait until the end of the rollout period (December 2020) before receiving any smart benefits. If however Install and Leave *is* allowed under this scenario, the consumer might have to wait up to 90 days for WAN availability and for some smart benefits (e.g. the end of estimated billing) to be realised. While neither option presents the ideal installation experience, since smart benefits will be delivered sooner where Install and Leave is allowed in the absence of HAN, it is considered to be the better option.
87. Preventing Install and Leave in all cases where the HAN cannot be established could cause a sub-optimal experience for the consumer and prevent an efficient rollout. For example, in instances where it is discovered that the HAN cannot be established only after the metering equipment has been installed, the supplier would be required to uninstall the equipment and replace it with a 'dumb' meter.
88. Furthermore, if the communications hub is not installed there would be no means for the DCC's SLA to be triggered and the consumer would have no indication of when their smart meter could be expected to start operating in smart mode.
89. It may also be less convenient for the consumer if the smart meter cannot be installed and left without WAN or HAN. Any follow-up visit to establish the HAN would be expected to

take less time than a further full installation visit, which would be required if the initial installation had had to be aborted because of a lack of HAN.

90. Therefore, the Government has concluded that establishment of the HAN should not be an absolute requirement at the time of installation, provided appropriate safeguards are put in place to protect the consumer experience in such cases. We will seek to develop an appropriate regulatory means of incentivising suppliers to establish the HAN as soon as practicable following the installation. We will bring forward proposals in due course to amend licence conditions to clarify that installations will not count towards suppliers' rollout obligations unless and until: the HAN is established; the customer has been offered an IHD and had its function explained; and energy efficiency advice has been provided in line with SMICoP requirements.
91. The SMICoP Board will need to determine the compatibility of the final 'reactive' Install and Leave policy position (reflecting any proposals to amend licence conditions as discussed above) with existing code provisions. In particular, it is the Government's view that SMICoP should be bolstered to further protect consumers and ensure appropriate assurances are provided to the consumer about the process and next steps in cases of 'reactive' Install and Leave.

Consultation Question		26 responses
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.	

Summary of issue under consideration

92. The consultation noted that there may be benefits to suppliers of allowing Install & Leave in cases where it was known that there would be no WAN coverage prior to installation but it was forecast to arrive by the end of 2020 ('proactive' Install and Leave). For example, this could aid efficiencies and geographical approaches to the rollout. However, this approach is likely to have a detrimental impact on the consumer experience because some consumers may not have access to full smart services for a number of years after installation, depending on when WAN coverage becomes available.
93. The consultation stated that the Government is not minded to allow 'proactive' Install and Leave.

Summary of responses

94. The majority of respondents were of the view that 'proactive' Install and Leave should not be permitted. Most respondents voiced concerns about a very negative experience for the consumer and a knock-on effect on confidence in the Programme.
95. Respondents were not in agreement as to whether 'proactive' Install and Leave would reduce cost and speed up the rollout or, in fact, increase cost and slow down the rollout, because of the need for additional visits, for example. Some respondents considered that it would not deliver benefits to suppliers or consumers. The main concerns raised were:
 - The continuation of manual meter reads and/or estimated bills.

- Issues around change of tenancy and change of supplier, including data protection, while WAN is not established.
- Negative customer experience and reputational damage to the Programme.

96. The issue of installations in new build properties was also raised, where it was suggested that if 'proactive' Install and Leave were not permitted, there may need to be derogations from the New and Replacement Obligation. If 'proactive' Install and Leave was not allowed for new connections, and no derogation made, neither a SMETS meter nor a traditional meter could be installed in such a site due to two contradictory sets of regulation.

Government response

97. The Government is of the view that there are sufficient methods to be able to predict where WAN is expected to be available, and a sufficient number of premises with WAN availability at which to undertake installations. This will allow suppliers to plan their rollouts efficiently. We therefore confirm that 'proactive' Install and Leave will not be permitted in the majority of cases.

98. However, we recognise that allowing 'proactive' Install and Leave in the case of new connections may deliver benefits in terms of supporting an efficient rollout and there is less scope for consumer inconvenience because the consumer typically would not be present at the point of installation. For example, if it were not permitted, suppliers would be required to install 'dumb' meters in all new build properties where the DCC coverage checker indicated WAN was unavailable. These meters would then have to be replaced with smart meters before the end of 2020, resulting in both time and cost inefficiencies.

99. We therefore conclude that suppliers should be permitted to Install and Leave smart meters in the case of new connections, even if WAN is not expected to be available at the point of installation, but is expected by the end of 2020.

100. Further consideration of the consumer experience is needed in these cases, in particular with regard to any requirements on suppliers to establish the HAN and discharge their SMICoP and IHD obligations. We will therefore seek to develop a regulatory means of incentivising suppliers to ensure that the consumer experience is appropriately safeguarded and will bring forward proposals in due course. We will consider what role the SMICoP Board could play in this process. As with 'reactive' Install and Leave, we will look to amend licence conditions to clarify when cases of 'proactive' Install and Leave will count towards suppliers' rollout obligations.

101. The SMICoP Board will need to determine the compatibility of the final 'proactive' Install and Leave policy position for new connections (reflecting any proposals to amend licence conditions as discussed above) with existing code provisions. In particular, it is the Government's view that SMICoP should be bolstered to further protect consumers (e.g. for new build properties, once the premises are occupied) and ensure appropriate assurances are provided to the consumer about the process and next steps.

Consultation Question

30 responses

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| 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. |
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Summary of issue under consideration

102. The Government regards it as important for there to be an element of consistency in options available to energy suppliers regardless of the meter type. The Government's minded to position was to allow Install and Leave for both SMETS1 and SMETS2 meters.
103. However, we recognise that energy suppliers have direct contractual relations with their own communications service providers for their SMETS1 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 SMETS1 installations.

Summary of responses

104. Two-thirds of respondents were in favour of only allowing Install and Leave in the case of SMETS2 meters, of whom half were strongly against the inclusion of SMETS1 meters.
105. The main concerns regarding Install and Leave for SMETS1 installations related to the bespoke nature of SMETS1 contracts. For example, whereas for SMETS2 meters the DCC is required to establish the WAN within 90 days of the installation, this requirement does not apply for SMETS1 meters, resulting in uncertainty as to when the WAN connection would be provided.
106. Further concerns with applying Install and Leave to SMETS1 meters included negative consumer experience due to the risk of long-term lack of WAN and possible need for repeated installation visits, and problems associated with change of supplier and change of tenancy events. It was suggested that Install and Leave for SMETS1 could increase the risk of early removal of smart meters on change of supplier.
107. It was highlighted that because SMETS1 meters operate outside of the DCC, Install and Leave would be inappropriate for these meters because suppliers would be wholly responsible for their connectivity.

Government response

108. Responses to the consultation confirmed our view that there are potential negative impacts on consumers and industry where suppliers Install and Leave SMETS1 meters. However, the Government does not at this time see a case for further intervention in relation to Install and Leave in respect of SMETS1 meters. The individual commercial relationships between SMETS1 suppliers and their communications providers means it is not possible to specify a time by which WAN should become available, in contrast with SMETS2 meters operated via the DCC. The Install and Leave conclusions described in this response document therefore relate to SMETS2 meters only.

109. Install and Leave for SMETS1 meters will continue to operate on the basis of the supplier taking 'all reasonable steps' to ensure that WAN and HAN connections are provided when installing the meter. We will, however, keep this position under review and take steps to introduce regulation to manage Install and Leave of SMETS1 meters if it is deemed necessary.

Consultation Question		25 responses
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.	

Summary of issue under consideration

110. A SMETS meter operating in prepayment mode (PPM) without WAN coverage will impact consumer experience because topping up balances would require manual entry of the Unique Transaction Reference Number (UTRN). Without the WAN, additional equipment and site visits would be needed, for example, to reconcile balances and perform tariff updates. This adds costs for suppliers and inconvenience for consumers.
111. The Government considered that this commercial driver alongside existing PPM licence conditions provided sufficient incentives for energy suppliers not to uniformly Install and Leave SMETS meters in PPM 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 where WAN coverage was not available.

Summary of responses

112. Responses to this question varied, with no clear consensus. Those agreeing that regulation in respect of PPM was not required made two broad points:
- There is no need to regulate the exclusion of PPM in Install and Leave because no supplier would ever install in PPM without WAN for technical reasons and because it would provide poor customer service.
 - The decision should be left to the supplier and customer, where the supplier should manage the risk if customer agrees to the installation.
113. In addition, one respondent agreed with the proposal, on the condition that it only referred to SMETS2 meters. It was also noted that if Install and Leave was not allowed for prepayment customers, they might remain on traditional meters for unacceptably long periods of time.
114. Among those who considered that regulation was required, there were concerns that the consumer experience would be severely impacted if suppliers chose to Install and Leave meters in PPM, for example, the requirement for manual UTRN entry.
115. A range of issues were raised including the risk of a customer losing supply following change of supplier. Four suppliers suggested that as a minimum, regulation should be introduced to mandate the losing supplier to put the meter in credit mode to ensure supply is maintained.

116. While some suppliers stated they do not currently install SMETS1 meters in PPM where no WAN is available, and would abort the installation if this became apparent at the installation visit, a few stated they do currently install SMETS1 meters in PPM where no WAN is available.

Government response

117. As set out in the consultation, the Government considers that installing smart meters in prepayment mode in the absence of WAN could lead to a negative consumer experience and impact on supplier costs. While smart metering has the potential to transform the experience of being a prepayment customer, it is essential that appropriate protections are in place for these consumers.

118. In light of the evidence received that a few suppliers are, in some cases, already installing PPM in the absence of WAN, we will gather further evidence from suppliers and consumer groups to help inform our understanding of the impact of PPM Install and Leave. We will bring forward proposals should they be required.

5. The New and Replacement Obligation

Strategic Context

120. The rollout 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 (e.g. in new build properties) – this is referred to as the ‘New and Replacement Obligation’ (NRO).
121. In the absence of the NRO, 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. While the NRO would need to be in place by the end of 2020 at the latest to ensure that there is an enduring SMETS rollout obligation for all meter replacements and new connections, there is a case for considering introducing the obligation earlier.

Consultation Question		30 responses
13.	Do you agree with the proposal to enact the New and Replacement Obligation in mid-2018?	

122. The consultation proposed that the NRO should apply from mid-2018, on the basis that by this point we would expect that systems will have been operating at scale for some time and industry will be able to roll out to the vast majority of property types.

Summary of responses

123. The majority of respondents agreed with this proposal, though it was noted that commercial drivers may ensure the policy intent occurs naturally. Some areas of concern were raised, including:
- The date should not be fixed but triggered when the Secretary of State is confident industry is ready.
 - DECC needs to provide guidance on handling of a number of situations which could arise that are out of a suppliers control (including sites which will never have WAN coverage; customers who historically refuse to have a smart meter; sites where there are technical barriers to installation or where technical solutions are not available).
 - 2018 will be a peak year so supply chains will be stretched.
 - The need to align with the SMETS1 end date as too big a gap before the introduction of NRO could stall the rollout.
 - Concern over obsolescence of faulty SMETS1 meters that could be repaired.

Government response

124. The Government has concluded that it should maintain the position in the consultation and intends to bring the NRO into effect from mid-2018, requiring suppliers to 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 (e.g. in new build properties). This is an 'all reasonable steps' provision to allow suppliers to accommodate discrepancies, such as where customers refuse to have a smart meter.
125. While the Government is fully committed to bringing the NRO into effect from mid-2018, the Secretary of State will retain the right to review this timeframe and if necessary consult on an alternative, to ensure the obligation can be implemented in practice (for example, if technical solutions have not been developed as expected).
126. We recognise that there are links between the NRO and Install and Leave policy, particularly in respect of our conclusions on 'proactive' Install and Leave for new connections. We will therefore explore the interactions and their implications for supplier licence conditions and SMICoP and bring forward proposals in due course.

6. SMETS1

Strategic Context

127. Suppliers can currently meet their rollout obligation by installing SMETS1 meters, which transfer messages via independent Smart Meter System Operators rather than the DCC. SMETS1 meter installations play a valuable role in the overall smart metering programme by providing significant smart functionality to consumers while enabling industry to gain experience in providing smart metering services, prior to the main installation stage when SMETS2 meters can be rolled out.
128. SMETS2 devices will, however, offer significant further benefits primarily because they utilise the DCC's smart metering infrastructure. In particular, consumers will always retain smart functionality when they switch supplier¹² and SMETS2 devices have additional functional capability that is not present in SMETS1. Furthermore, DNOs will have access to smart metering data, via the DCC, which will allow them to run their services more efficiently. It is therefore the Government's intention that industry should transition to the exclusive installation of SMETS2 metering devices.
129. Two options to support this transition to SMETS2 devices were considered in the Rollout Strategy consultation. The first was a SMETS1 End Date following which new SMETS1 device installations would no longer contribute to the rollout obligation. This option would be consistent with our previous conclusion that rollout licence conditions will be amended to allow an installation 'end date' for Device Specifications to be set.¹³ The second option 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, in order to set an overall limit on the numbers of SMETS1 meters.

Consultation Question		27 responses
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.	

Summary of issue under consideration

130. The consultation set out our view that setting the SMETS1 end date would need to balance our SMETS2 objectives with provision of a suitable time period for industry to transition to SMETS2 device installations. An important consideration was the need to ensure that the DCC's services are stable when SMETS1 device installations cease.
131. It was considered that an end date of DCC Live plus twelve months would be most consistent with these aims as industry would be able to transition over the twelve month

¹² Once all suppliers are active DCC Users as per the User Mandate discussed in Chapter 3

¹³ [Government Response to the consultation on changes to equipment installation requirements and the governance arrangements for technical specifications](#), July 2014

period of 'stabilisation and scale', post DCC Live. An earlier date risked not providing industry sufficient time to transition, or the confidence that DCC systems would be stable when SMETS1 device installations cease to count towards to their rollout obligations. A later end date, on the other hand, would provide more time for the transition but reduce the number of consumers receiving SMETS2 meters and the additional benefits they provide.

Summary of responses

132. Stakeholder responses on this issue were mixed. Larger suppliers generally agreed with the intention that industry should transition to SMETS2 metering devices as soon as reasonably possible. They were opposed, however, to the proposed end date on the grounds that there might be a risk of DCC systems not being sufficiently stable and functional over the twelve month transition period for industry to make an efficient transition to SMETS2.
133. One large supplier stated that there is, in their view, a significant risk of increased costs, if they are required to phase out SMETS1 installations, but deem DCC systems to be insufficiently stable and functional to install SMETS2 devices at volume. This would primarily be due to workforce underutilisation. Another large supplier voiced concerns that there would be a significant risk of asset stranding due to suppliers purchasing SMETS1 devices to protect against the risk of SMETS2 metering devices being unavailable and/or DCC systems not being stable.
134. A number of other respondents suggested that higher meter asset pricing for SMETS1 meters may incentivise suppliers to transition to the exclusive installation of SMETS2 devices without Government intervention. Further, one large supplier argued that the end date should be sooner due to interoperability concerns, while another also made a case that SMETS1 devices should be phased out as soon as reasonably possible, given that they are more expensive than the SMETS2 solution. There was a broad consensus that if Government was minded to set an end date, it should use a 'gateway' process to confirm that DCC systems are sufficiently stable before incorporating the SMETS1 end date into regulation. There were, however, differing views on the appropriate length of the transition period.
135. Smart metering equipment providers and system operators were generally opposed to the proposed end date, and voiced a number of concerns, including that DCC systems should be stable at scale prior to the commencement of a transition period. They also suggested there are, in their view, otherwise limited grounds to phase out SMETS1 device installation as they offer similar benefits to SMETS2 devices. Meter Asset Providers and Meter Operators generally agreed that there should be an end date but suggested that the Government should use a checkpoint prior to setting it.
136. The majority of smaller suppliers agreed with the proposed end date generally on the grounds that SMETS2 devices provide consumers with the full smart experience and that a twelve month transition period from DCC Live is sufficient for industry purposes. A number of those respondents went on to state that suppliers may face additional costs when gaining a consumer with a SMETS1 metering device. The minority that were opposed generally felt that more time after DCC Live is required.
137. DNOs either supported the proposed end date or wanted it to be set sooner, or SMETS1 installations otherwise limited because of concerns that a significant number of SMETS1 installations may make it more difficult for them to realise benefits from the smart metering rollout. Consumer groups suggested that the SMETS1 end date should be

earlier in order that consumers can realise the full benefits from the smart meter rollout as soon as possible.

Government response

138. The Government remains committed to ensuring the industry and consumer benefits of SMETS2 meters operated through the DCC are realised as soon as possible, while providing industry sufficient time to transition. We conclude that the SMETS1 end date should be 1 August 2017 (i.e. DCC Live plus 12 Months), after which point the installation of SMETS1 meters will no longer meet the requirements of the rollout licence condition.
139. The Government considers that 12 months from a stable DCC Live would provide sufficient time for energy suppliers to make the transition from SMETS1 to SMETS2. The Government reserves the right to review the end date if significant industry-wide impediments should materialise.

Consultation Question	25 responses
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.

Summary of issue under consideration

140. Government 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 would also limit the overall number of SMETS1 devices installed.

Summary of responses

141. The majority of respondents - particularly suppliers, equipment providers, Meter Asset Providers, and Meter Operators - were opposed to a cap on SMETS1 device installations. Their reasons included:
- It would penalise suppliers who have proactively sought to meet their rollout obligation.
 - There are long term SMETS1 device related contracts in place across industry which would be contravened by a cap.
 - Suppliers would reduce current SMETS1 installations to take account of potential delays in DCC Live.
 - The difficulty in setting a cap at the right level.
142. DNOs and consumer groups generally supported the proposal, stressing the need for the earliest reasonable transition to SMETS2 to enable full benefit realisation, and the prevention of consumer issues upon change of supplier.

Government response

143. The Government agrees with the significant majority of respondents that currently the disadvantages of a SMETS1 device cap strongly outweigh any advantages. There are therefore no plans to introduce a SMETS1 cap.

Annex A: List of respondents to the Smart Metering Rollout Strategy consultation

Association of Manufacturers of Domestic Appliances
Association of Independent Gas Transporters
Association of Meter Operators
BEAMA
British Gas
Brookfield Utilities Limited
Citizens Advice
Community of Meter Asset Providers
Competitive Networks Association
Co-op Energy
Data Communication Company
E.ON Energy Solutions
EDF
Electricity North West
Energy UK
First Utility
Good Energy
Haven Power
Labrador
Landis+Gyr Ltd
National Grid Gas
Northern PowerGrid
Npower
Ofgem
Opus Energy
Ovo Energy
Scottish Power Energy Networks
Secure Meters (UK) Ltd
Siemens plc
Smart Energy GB
Spark Energy
SSE
Sustainable Energy Association
Trilliant
UK Metering Forum
UK Power Networks
Utilita
Utility Funding Ltd
Which?

