



Department  
of Energy &  
Climate Change

# Smart Metering Implementation Programme

Consultation on non-domestic smart metering: the  
DCC opt-out and the advanced metering exception

24 March 2015

URN 15D/122

The consultation can be found on DECC's website:

<https://www.gov.uk/government/consultations/consultation-on-non-domestic-smart-metering>

Published by the Department of Energy and Climate Change

# Contents

General information.....	4
Introduction .....	6
Scope of this consultation .....	6
Part A .....	8
Non-domestic “DCC opt-out” policy .....	8
Background .....	8
Subsequent developments .....	9
The roll-out strategy .....	10
Reviewing the opt-out .....	11
Related issue: DCC’s non-domestic charging .....	12
Part B .....	13
Advanced metering exception.....	13
Current policy .....	13
Advanced meters and smart meters .....	13
Government consideration .....	14

# General information

## **Purpose of this consultation:**

This consultation seeks views on two issues relating to the roll-out of smart and advanced meters to the non-domestic sector.

Part A seeks views on 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. The Government is reviewing this policy and considering whether any changes need to be made.

Part B seeks views on the Government's view that there should be no extension to the period within which advanced metering may be installed at non-domestic sites beyond April 2016.

**Issued:** 24th March 2015

**Respond by:** 15<sup>th</sup> June 2015

## **Enquiries to:**

Smart Metering Implementation Programme,  
Policy & Consumers Team,  
Department of Energy & Climate Change,  
Orchard 3, LG Floor,  
1 Victoria Street,  
London, SW1H 0ET

Email: [smartmetering@decc.gsi.gov.uk](mailto:smartmetering@decc.gsi.gov.uk)

Consultation reference: URN 15D/122

## **Territorial extent:**

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

## **How to respond:**

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

Responses should be emailed to: [smartmetering@decc.gsi.gov.uk](mailto:smartmetering@decc.gsi.gov.uk) or posted to the above address.

## **Additional copies:**

You may make copies of this document without seeking permission. An electronic version can be found at <https://www.gov.uk/government/consultations/consultation-on-non-domestic-smart-metering>.

Other versions of the document in Braille, large print or audio-cassette are available on

request. This includes a Welsh version. Please contact us under the above details to request alternative versions.

**Confidentiality and data protection:**

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

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

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

**Quality assurance:**

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

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

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

# Introduction

## The smart metering programme

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 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. Licence conditions require energy suppliers to install smart metering (or in some circumstances, advanced metering) to all electricity sites in Profile Classes 1-4<sup>2</sup> and gas sites where average annual consumption is below 732 MWh per year.
4. The non-domestic roll-out will cover around two million sites. 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 of around £1.9 billion.

## Scope of this consultation

5. This consultation seeks views on two issues relating to the roll-out of smart and advanced meters to the non-domestic sector<sup>3</sup>.
6. Part A seeks views on the existing policy position 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 (that is enrolment with the DCC is not required). As part of its review of the policy, the Government is seeking views on whether this policy remains appropriate or whether it needs to be revised or should be removed altogether.
7. Part B seeks views on the Government's policy position that there should be no extension beyond April 2016 of non-domestic suppliers' current option to install advanced meters to meet their roll-out obligations.

---

<sup>1</sup> <https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions>

<sup>2</sup> See the Elexon website for background on electricity Profile Classes:  
<https://www.elexon.co.uk/knowledgebase/profile-classes/>

<sup>3</sup> This refers to the roll-out to non-domestic electricity sites in Profile Classes 1-4 and gas sites where annual consumption is below 732 MWh per year.

8. Overall, the discussion in this consultation aims – alongside the Roll-out Strategy<sup>4</sup> – to provide clarity to stakeholders about the expectations and regulatory obligations for a successful roll-out of smart meters by 2020, so that consumer benefits in the non-domestic sector are maximised.

---

<sup>4</sup> Smart metering roll-out strategy, DECC, March 2015: <https://www.gov.uk/government/consultations/smart-metering-rollout-strategy>

## Part A

### Non-domestic “DCC opt-out” policy

#### Background

9. Smart metering is not new to the non-domestic sector. In the late 1990s the Government required metering to be able to provide detailed information about energy use for the largest non-domestic sites; a roll-out of advanced metering to medium-sized sites was mandated between 2009 and 2014; and already many small sites have advanced metering. In recognition of this existing activity, which brings benefits to customers today, the Government has taken a slightly different approach to rolling out smart meters for the smaller non-domestic sector from that taken for the domestic market.
10. One difference in approach has been the policy to allow energy suppliers to use communications services other than those provided by the DCC for any SMETS2 meters they install at non-domestic premises. This policy has generally been referred to as the “DCC opt-out”.
11. The DCC brings various benefits, including ensuring that customers with smart meters can switch supplier easily without losing their smart metering services; the ability for smart metering data to be shared with network companies, facilitating more efficient network management; and the ability for customers to give third parties access to their data, for example as part of an energy management or advice service, or to allow tariff comparisons.
12. In 2010 the Government proposed the DCC opt-out in its Smart Metering Prospectus Consultation<sup>5</sup> and subsequently confirmed it as policy in its consultation response in 2011<sup>6</sup>. This decision was taken on the basis that a competitive market was already established for communications services in the non-domestic advanced metering market. However, the Government Response noted that the policy would be “kept under review and action may be taken if, for example, evidence emerges of serious interoperability issues or if the development of smart grids is being hampered”.
13. At the time the policy was established, it was envisaged that an energy supplier would be able to make a choice between operating a smart meter using the DCC’s services and using equivalent services from another provider (such as communications providers operating in the existing advanced metering market), and would be able to switch between such providers. It was expected that such choices would be relatively straightforward to implement, working in much the same way that suppliers do so now for advanced metering. However, we have always envisaged that the majority of non-domestic suppliers would in any case choose to use the DCC communications services. For instance, our expectation

---

<sup>5</sup> Smart Metering implementation Programme – Prospectus, DECC/Ofgem (July 2010): <https://www.ofgem.gov.uk/ofgem-publications/63541/smart-metering-prospectus.pdf>

<sup>6</sup> Smart Metering implementation Programme – Response to Prospectus Consultation, DECC/Ofgem (March 2011): [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/42734/1475-smart-metering-imp-response-overview.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/42734/1475-smart-metering-imp-response-overview.pdf)



has been that large suppliers, with substantial numbers of domestic customers, would wish to use a common data service for both their domestic and non-domestic sites.

### Subsequent developments

14. Following work undertaken to finalise elements of the end-to-end smart metering system design, we consider that it may be difficult to operate SMETS2 meters outside of the DCC in smart mode. For this to work, an equivalent of the DCC's communications hub would be needed to enable communications with the meter, and much of the DCC's infrastructure would need to be replicated. For example, to ensure messages are protected in the way that is outlined in the Great Britain Companion Specification<sup>7</sup> it is likely that functionality to enable message transformation and capability to support public key cryptography would be needed. DECC is not aware of any alternative provider planning to offer such services, but would welcome views on whether there are, or are likely to be, any such alternative providers.

#### Consultation Question

- |    |   |
|----|---|
| 1. | Do you envisage that smart metering communication services will be, or are likely to become available from alternative providers to enable the satisfactory operation of SMETS2 meters if opted-out of the DCC? |
|----|---|

15. We anticipate that to facilitate an effective opt-out would entail significant complexities for the DCC and other service providers. For example, it would be necessary for the Programme, working with the DCC and stakeholders, to specify detailed arrangements for meters on transfer between opted-out and opted-in suppliers. Key among these would be arrangements for maintaining security credentials on opted-out meters, so that opted-in suppliers could trust meters that transfer to them upon change-of-supplier. This could require a fundamental review of the arrangements already in place, including detailed review by stakeholders. There would be additional cost and complexity for DCC to develop and manage systems for handling the churn of meters across opted-in and opted-out suppliers.
16. We also anticipate impacts on interoperability of SMETS2 meters if opted-out. Site visits to change devices may be necessary under several scenarios involving customer switching between opted-out and opted-in suppliers.
17. We are considering what changes to the regulatory framework and current requirements would be needed if an opt-out were to be facilitated, and whether these are proportionate, given the possible numbers of meters that might be subject to the opt-out.

<sup>7</sup> Government response to a consultation on the Great Britain Companion Specification, DECC, November 2014: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/380429/SMIP\\_GBCS\\_consultation\\_response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/380429/SMIP_GBCS_consultation_response.pdf)

18. Stakeholders have already commented on the potential complexities of operating the opt-out. For instance, stakeholder views were provided in response to Question 61 in the SEC4 consultation<sup>8</sup>, which asked:

“Do you have any views on the operation of SMETS2 meters that are opted out of DCC services in the light of:

- the conclusions on SMKI (Smart Metering Key Infrastructure) set out above; and
- any other matters, including GBCS, that may affect two-way communications with an opted-out meter?”

19. There were 16 responses to this question, the majority from suppliers who are active in the non-domestic market. Several respondents expressed doubts about how SMETS2 meters could be satisfactorily operated whilst opted-out. Some raised concerns about the security status of opted-out meters upon churn to opted-in suppliers. Some called for a reconsideration of the opt-out policy.

### Consultation Question

- |    |   |
|----|---|
| 2. | a) We would welcome views on what challenges are likely to be faced on the transfer of meters between opted-in and opted-out suppliers.<br>b) We also invite comments on what you consider to be the likely impacts on the interoperability of SMETS2 meters if some SMETS2 meters are opted-out. |
|----|---|

### Consultation Question

- |    |  |
|----|--|
| 3. | Are the actions that the Programme would need to take (in conjunction with stakeholders) to facilitate an opt-out proportionate, given the possible numbers of meters that might be subject to an opt-out? In answering, please take into account your response to Question 2. |
|----|--|

### The roll-out strategy

20. The significant majority of benefits for the Programme will be enabled through the installation, enrolment in DCC and operation of SMETS2 meters. Importantly, where SMETS2 meters are operated using the DCC’s services, customers will be able to switch between suppliers easily without losing their smart meter services. This will help to maximise interoperability within the non-domestic sector.

---

<sup>8</sup> A Consultation on New Smart Energy Code Content (Stage 4) and consequential/associated changes to licence conditions, DECC, June 2014:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/329306/SEC4\\_-\\_Consultation\\_Document.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/329306/SEC4_-_Consultation_Document.pdf)

21. The Government is consulting separately on the roll-out strategy<sup>9</sup>. Its intention in doing so is to provide:

- a clear roadmap from DCC Live to the end of rollout;
- certainty for industry to make investment and deployment decisions to prepare for a successful rollout of smart meters by 2020;
- proposals for how DECC aims to drive overall programme delivery, including regulatory obligations to ensure the installation and enrolment of SMETS 2 meters and key milestones for SMETS1 meter deployment and enrolment into the DCC.

22. The roll-out strategy consultation makes proposals which apply equally across the domestic and non-domestic sectors, concerning the following:

- introducing de-minimis SMETS2 installation and enrolment obligations on large suppliers. The Government is minded to set an obligation of 1,500 SMETS 2 meters or 0.025% of total meter points (whichever is the lower) to be installed, commissioned and enrolled into DCC within six months of DCC Live;
- mandating suppliers to become DCC Users. The Government is minded to set a date for all suppliers to become Users at DCC Live + 12 months;
- enacting a new and replacement obligation, which would set a date from which suppliers must take all reasonable steps to install a smart meter where a meter reaches the end of its lifetime, or where a meter is installed for the first time. The Government is minded to activate the New and Replacement Obligation in mid-2018;
- setting a SMETS1 end date and starting the enrolment and adoption process for SMETS1 meters. The Government is minded to set a SMETS1 end date at DCC Live +12 months.

23. Individually and taken together, the proposals will help drive the deployment of SMETS2 meters and their enrolment and operation in the DCC, for both the domestic and non-domestic markets.

### Reviewing the opt-out

24. Taking into account the likely difficulties in operating SMETS2 meters satisfactorily outside the DCC, and the Government's aim to drive forward the deployment of SMETS2 meters and their enrolment and operation within the DCC, we are reviewing whether the non-domestic opt-out remains appropriate. As part of our review, we are considering what further changes to the regulatory framework would be needed to facilitate the opt-out or whether the opt-out policy position should be removed altogether, resulting in a requirement for all SMETS2 meters installed in non-domestic premises to be enrolled in DCC.

---

<sup>9</sup> Smart metering roll-out strategy, DECC, March 2015: <https://www.gov.uk/government/consultations/smart-metering-rollout-strategy>

## Consultation Question

4. Do you consider that the opt-out policy position remains appropriate or should it be removed? In particular, please include views on any specific issues you think the Government would need to consider if it were to remove the opt-out and require the enrolment in DCC of SMETS2 meters installed at non-domestic premises.

### Related issue: DCC's non-domestic charging

25. The differential charging regime related to non-domestic premises would no longer be relevant if non-domestic suppliers were no longer able to choose to opt-out of the DCC service as this regime was intended to prevent cross subsidises arising as a result of the non-domestic opt-out. Thus if a decision was taken to remove the opt-out for non-domestic SMETS2 meters, the Government would consult on aligning the DCC's charging regime for domestic and non-domestic premises via amendments the charging objectives<sup>10</sup> and charging methodology<sup>11</sup>.

---

<sup>10</sup> Licence Condition 18 Part C sets out the domestic / non-domestic differentials within in the First Relevant Policy Objective of the Charging Methodology.

<sup>11</sup> The Charging Methodology is set out in Section K of the SEC.

## Part B

### Advanced metering exception

#### Current policy

26. 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 until 5 April 2016, and after 5 April 2016 where there is an existing contractual agreement<sup>12</sup>. 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 for technical reasons. Meters installed after the exception end-date should also be smart.
27. The “exception” was established following the consultation on the Smart Metering Prospectus in 2010<sup>13</sup> and the Government response to that consultation in March 2011<sup>14</sup>. The Government wished to maximise the roll-out of smart meters to smaller non-domestic sites but it also recognised that there was an established, active advanced metering market in the sector that was already providing energy and carbon savings. The Government’s view was that an exemption would enable customers to continue to benefit from advanced meters without the risk of investment in such meters being stranded, and would enable those serving the advanced metering and data services market to continue to do so.
28. Originally, the exception was to run until 5 April 2014 (and thereafter where there was a pre-existing contractual arrangement). Following the publication in 2013 of a revised timetable for the roll-out of smart meters a new end date of 5 April 2016 was set for the exception. At the time DCC services were expected to be live by Q3 2015.
29. The DCC recently consulted on its plan and implementation milestones. The DCC’s response confirmed an earliest feasible date of 1 April 2016 for DCC Live, with the provision of up to six months of contingency to be held at programme level. This date now coincides with the exception end-date.

#### Advanced meters and smart meters

30. Whilst the Government recognises the substantial benefits that advanced metering has brought to non-domestic customers, the significant majority of benefits for the Programme will be enabled through the installation, enrolment in DCC and operation of SMETS2 meters. Advanced metering can provide detailed consumption feedback to customers and can enable other benefits such as accurate billing, but the functionality supported by

---

<sup>12</sup> Under the roll-out licence conditions, advanced metering will also be installed where there is a current transformer electricity meter or a larger gas meter.

<sup>13</sup> Smart Metering Implementation Programme – Prospectus, July 2010: <https://www.ofgem.gov.uk/ofgem-publications/63541/smart-metering-prospectus.pdf>

<sup>14</sup> Smart Metering Implementation Programme – Response to Prospectus Consultation, March 2010: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/42734/1475-smart-metering-imp-response-overview.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/42734/1475-smart-metering-imp-response-overview.pdf)

SMETS2 meters opens up a wider range of benefits. The Government therefore wishes to maximise the numbers of SMETS2 meters installed in the non-domestic market.

### Government consideration

31. We have considered whether there is a case to extend the current exception end-date and are of the view that there is insufficient justification to do so. Following 5 April 2016, if SMETS2 meter deployment at scale is not feasible for all suppliers, it would still be possible to install SMETS1 meters to maintain roll-out momentum. Larger suppliers are likely to have systems in place to support SMETS1 meters. Also, suppliers will still be able to install advanced meters after 5 April 2016 where there is a pre-existing contractual agreement, or agree terms where a customer chooses not to have a SMETS meter installed.
32. We have considered whether there is a case to extend the exception end-date for small suppliers only. Small suppliers may find it harder to secure SMETS2 equipment early in the main installation stage and might be less willing or able to invest in SMETS1 systems. The Government's initial view is that the scale of such challenges is not sufficient to justify a further extension in the exception end-date, even if this results in a temporary slowdown of installation activity by small suppliers. This is set against the background that the Government wishes to maximise the numbers of SMETS-compliant meters in the non-domestic sector, so that customers have access to the wider range of benefits they offer over advanced meters.

### Consultation Question

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

