



Department for  
Business, Energy  
& Industrial Strategy

# SMART METERING IMPLEMENTATION

Government Response to the  
Consultation on maximising  
interoperability for first generation  
(SMETS1) smart meters



October 2018

This consultation response can be found on the BEIS section of GOV.UK:  
<https://www.gov.uk/government/consultations/maximising-interoperability-for-first-generation-smets1-smart-meters>

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# General information

## Purpose of this document

This document sets out the Government Response to the Consultation on maximising interoperability for first generation (SMETS1) smart meters that was published on 17 April 2018.

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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:

Email: [beis.bru@beis.gov.uk](mailto:beis.bru@beis.gov.uk)

# 1. Introduction

## Smart Metering Implementation Programme

1. The development of a world-leading smart energy system delivering secure, cheap and clean energy is an important part of the Government's Industrial Strategy.<sup>1</sup> As our Clean Growth Strategy highlights, smart technologies and services will play a vital role in decarbonising the energy sector.<sup>2</sup> Smart meters are an essential upgrade to our energy infrastructure, enabling a smarter energy system and energy consumers to be better informed and engaged.
2. The Government is committed to ensuring that smart meters will be offered to every home and small business in Great Britain by the end of 2020. The smart meter rollout will deliver a much needed digital transformation of our energy system. The rollout is not only an investment in our future; it will also support, for example, the delivery of tangible and immediate energy-saving benefits for households and small businesses across Great Britain. And it is an important foundation for the Government and Ofgem's Smart Systems and Flexibility Plan which was published last year.<sup>3</sup> This Plan sets out a number of actions to deliver a smarter, more flexible energy system that supports innovation in new smart products and services.
3. Energy suppliers are responsible, under standard conditions of electricity and gas supply licences ('supply licence conditions'),<sup>4</sup> for taking all reasonable steps to roll out smart meters to all domestic and smaller business premises in Great Britain. The Government's role includes providing the right framework against which energy suppliers can plan, and ensuring benefits are delivered to consumers.
4. An updated Cost Benefit Analysis of the Smart Meter roll-out was published in November 2016. This estimated the costs and benefits associated with the national roll-out of smart meters and identified a substantial net benefit from the Programme of £5.7 billion for the period to 2030.<sup>5</sup> A further updated cost and benefit analysis will be published in 2019.

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<sup>1</sup> See: <https://www.gov.uk/government/topical-events/the-uks-industrial-strategy>

<sup>2</sup> See: <https://www.gov.uk/government/publications/clean-growth-strategy>

<sup>3</sup> See: <https://www.gov.uk/government/publications/upgrading-our-energy-system-smart-systems-and-flexibility-plan>

<sup>4</sup> See: <https://www.ofgem.gov.uk/licences-codes-and-standards/licences/licence-conditions>

<sup>5</sup> See: <https://www.gov.uk/government/publications/smart-meter-roll-out-gb-cost-benefit-analysis>

5. The Smart Metering Implementation Programme will drive a number of key benefits, including:
  - Contributing to the UK having a secure and resilient energy system.
  - Providing near real-time information on cost and usage encouraging consumers to reduce demand and enable faster switching between energy suppliers. This in turn will lead to a more dynamic and competitive retail energy market.
  - Providing the foundation for a range of innovative energy services, which will enhance consumer choice and control.

## Background to SMETS1 policy

6. The roll-out of smart meters in Great Britain is being delivered in two stages – the Foundation Stage, which began in 2011, transitioning into the Main Installation Stage, which commenced in November 2016. This was the point when the national data and communications provider, the Data Communications Company (DCC), became operational and the specification for second generation meters (SMETS2) that work with the DCC was designated into regulations.
7. A standard for the minimum common functionality of smart meters deployed during the Foundation Stage, known as SMETS1, was defined in 2012. This addressed the variability in the smart-type meters which some energy suppliers were already installing and helped ensure consumers received a consistent, minimum service offer. In allowing for SMETS1 meters to count towards energy suppliers' 2020 roll-out targets, government sought to foster early consumer benefits of smart metering and provide industry with valuable experience to support the subsequent deployment of smart meters at scale.
8. A number of energy suppliers have been installing SMETS1 smart meters for their customers, using their own data and communications systems to provide smart services. Like SMETS2 meters, SMETS1 meters provide the benefits of accurate bills and near real-time energy consumption information. However, these SMETS1 meters currently operate via data and communications systems put in place by individual energy suppliers, as opposed to a single national data and communications infrastructure which is accessible to all suppliers. Consequently, consumers may lose smart services on switching to another energy supplier, depending on which energy supplier they are switching to and from.
9. Our overall aim is to ensure interoperability for SMETS1 meters so that smart functionality is retained when a customer switches energy supplier. Our long-standing

policy has been for all significant populations of SMETS1 meters to eventually be operated via the DCC to deliver this objective.<sup>6</sup>

10. Enrolment of SMETS1 meters with the DCC would provide a number of benefits to consumers and the energy market, in particular:

- Retention of smart services for consumers when they switch energy supplier.
- Reduction of stranding risk for existing SMETS1 assets.<sup>7</sup>
- A number of additional security controls core to the national data and communications service, such as Threshold Anomaly Detection, would be extended to these meters.
- Efficiencies from rationalisation of smart metering interfaces and processes within energy supplier businesses.

11. Following consultation, alongside this document the Government confirmed that it will require the DCC to provide an interoperable smart meter service for four out of six SMETS1 meter cohorts, representing around two thirds of the expected market.<sup>8</sup> The Government's intention is to consult on the enrolment of the remaining SMETS1 cohorts (Secure and EDMI meters) once sufficient information is available from further engagement between existing and prospective service providers and the DCC.

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<sup>6</sup> For example, a Programme update published in April 2012 confirmed that 'the Government has stated that all domestic Smart Metering Systems should be managed through the DCC and is keen to apply this principle, as far as possible, to meters installed in the Foundation Stage.' See: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/68976/Smart\\_metering\\_programme\\_update\\_-\\_April\\_2012.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/68976/Smart_metering_programme_update_-_April_2012.pdf)

<sup>7</sup> Namely the risk of energy suppliers replacing their SMETS1 meters with SMETS2 meters before the SMETS1 meters reach the end of their lives.

<sup>8</sup> The meter cohorts in question are Aclara, Honeywell Elster, Itron and Landis+Gyr. See: <https://www.gov.uk/government/consultations/enrolment-of-smets1-meter-cohorts-with-the-data-communications-company>

## 2. Summary of issues under consideration

12. Enrolment of SMETS1 meters with the DCC is currently voluntary. While market information suggests that there are commercial and economic incentives on energy suppliers which would encourage them to enrol SMETS1 meters in the DCC – for example, the provision of a single interface for communicating with SMETS1 and SMETS2 meters should result in efficiency savings for energy suppliers – the voluntary nature of SMETS1 enrolment presents a risk that the DCC solution is not used in a timely manner. This would delay the point at which consumers receive an interoperable SMETS1 service<sup>9</sup> and result in potentially nugatory costs being incurred. This would be sub-optimal for the consumer and would undermine the delivery of the programme benefits.
13. In light of these risks, in April 2018 we consulted on options for ensuring the DCC SMETS1 enrolment capability is used in a timely manner, with a view to ensuring consumers with SMETS1 meters can retain smart services whenever they switch energy supplier in line with the Programme’s policy and thereby maximise consumer benefits.
14. The preferred option in the consultation document proposed the following new obligations:
- Energy suppliers would be required to take all reasonable steps to enrol their ‘eligible SMETS1 meters’<sup>10</sup> with the DCC or replace them with SMETS2 meters, within six months of the point at which those meters can be enrolled.
  - From the point this obligation would apply, should a supplier acquire an eligible SMETS1 meter following change of supplier and the meter is not enrolled, the new supplier would be required to take all reasonable steps to enrol the meter or replace it with a SMETS2 meter, within six months of acquiring the meter.

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<sup>9</sup> The Operational Licence Condition (Part A of electricity/gas supply standard licence condition 49/43) broadly requires that relevant smart meters in domestic and microbusiness premises must be operated in smart mode. However, after a domestic consumer switches energy supplier the new supplier does not have to operate the gained smart meter (or any relevant replacement) in smart mode until the earlier of the point the meter is enrolled in the DCC, or 31 December 2020. For consumers in microbusiness premises energy suppliers do not have to operate meters in smart mode until they are enrolled in the DCC.

<sup>10</sup> This was defined in the consultation document as ‘meters that the DCC has successfully tested against to ensure that it can offer its SMETS1 services in respect of them and that have met the other conditions for enrolment set out in the Smart Energy Code (SEC)’.



- As a backstop, energy suppliers would be required to replace any SMETS1 meter which is not enrolled in the DCC with a SMETS2 meter by 31 December 2020.
- Once a SMETS1 meter has been enrolled in the DCC it may not be withdrawn and operated outside the DCC.

15. This document summarises responses received to the consultation and concludes that, having considered stakeholders' views, we propose introducing the following obligations on energy suppliers:

- Energy suppliers would be required to take all reasonable steps to enrol their 'eligible SMETS1 meters'<sup>11</sup> in the DCC, within 12 months of the point at which they can be enrolled.
- Where an energy supplier acquires an eligible SMETS1 meter following change of energy supplier and the meter is not enrolled, the new energy supplier would be required to take all reasonable steps to enrol the meter within 12 months of acquiring the meter.
- Energy suppliers would be required to take all reasonable steps to replace any SMETS1 meter which is not enrolled in the DCC with a SMETS2 meter by the end of 2020.
- Once a SMETS1 meter has been enrolled in the DCC it may not be withdrawn and operated outside the DCC.

16. The final draft legal text published alongside this consultation response will be laid before Parliament on 9 October 2018 in line with the procedure under section 89 of the Energy Act 2008.

17. The consultation closed on 24 May 2018 and we received a total of 51 written responses from the following organisations:

Energy suppliers	Bristol Energy	Bulb
	Centrica plc	CNG Ltd
	E.ON	EDF Energy
	Engie Power Ltd	First Utility Ltd
	Green Network Energy	Npower
	Octopus Energy	Opus Energy & Haven Power
	Ovo Energy	Robin Hood Energy
	Scottish Power	Smartest Energy

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<sup>11</sup> Please see paragraph 42 for our proposed definition of 'eligible for enrolment'.

## Summary of issues under consideration

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	Solarplicity	Spark Energy
	SSE	Utilita Energy Ltd
	Utility Warehouse	
Consumer groups	Citizens Advice	National Energy Action
Meter Operators / Meter Asset Providers	Calvin Capital	Foresight Metering
	Macquarie Energy Leasing	National Grid Smart
	Northern Powergrid Metering Ltd	Smart Meter Assets
Network Operators	Cadent Gas	Electricity Northwest
	Northern Powergrid	SP Energy Networks
	SSE Electricity Networks	UK Power Networks
	Western Power Distribution	
Trade bodies	British Electrotechnical and Allied Manufacturers Association (BEAMA)	Community of Meter Asset Providers (CMAP)
	Energy UK	
Other	Chameleon Technology	Data Communications Company (DCC)
	Energy Saving Trust	Energy-Consulting
	First Helpline Energy	Swindon Borough Council
	TMA Data Management Ltd	Trilliant Networks
	UCL Energy Institute	Utiligroup
	uSwitch	WiFore Consulting

### 3. Summary of responses to the consultation

Question 1: Do you agree with the proposal that suppliers should be required to take all reasonable steps to enrol eligible SMETS1 meters in the DCC, or replace with SMETS2, within a specified timeframe?

18. Fifty-one respondents commented on this proposal. Thirty-five respondents agreed with the proposal, of whom 22 respondents attached caveats to their comments. Sixteen respondents disagreed, of whom nine provided caveats.
19. The proposed requirement on energy suppliers to enrol eligible SMETS1 meters in the DCC within a specified timeframe was supported by a majority of energy suppliers and Meter Asset Providers (MAPs), while the majority of energy suppliers and MAPs opposed the SMETS2 replacement proposal. The majority of consumer groups, network operators and other respondents agreed with all aspects of the proposal.
20. Key points made by one or more respondents included:
- The proposal gives consumers certainty they will retain smart services upon change of supplier, allowing them to take advantage of better deals. The risk otherwise is creating a two-tier market in which only some consumers are able to fully realise the benefits of smart meters.
  - The proposal will drive competitiveness in the retail energy market as customers are empowered to take control of their energy consumption and suppliers are incentivised to innovate. Disengaged customers, especially those with pre-payment meters, are likely to benefit more than they would otherwise.
  - The proposal will drive up customer acceptance of SMETS1 meters as it gives certainty that smart services will be retained upon change of supplier.
  - Third parties (such as switching sites or energy services companies), which would not otherwise have access to SMETS1 meters' data without a prior contractual relationship with either the Smart Meter System Operator (SMSO) or energy supplier, would be able to retrieve data from all smart meters on a consistent basis.
  - Commercial incentives exist for energy suppliers to enrol SMETS1 meters, so the focus should be to resolve interoperability for those consumers with SMETS1 meters who have already switched energy supplier and lost smart services.
  - The 'or replace with SMETS2' proposal adds material and potentially unjustified costs if meters cannot be enrolled within the timeframe but are

- operating in smart mode. Enrolment is however more likely to result in lower costs and less disruption to customers.
- The potential early replacement of SMETS1 meters could lead to a risk of asset stranding, reducing investor confidence and increasing supplier costs where they face premature replacement charges. There is also a question of installer availability for SMETS1 replacements if SMETS2 installations significantly ramp up.
  - Additional information on the cost and quality of the DCC SMETS1 service would be welcomed ahead of introducing an enrolment mandate, as well as on the scalability of an operational DCC SMETS1 solution before a specific timeframe for enrolment can be agreed.
  - Energy suppliers should be able to determine the best means of resolving SMETS1 interoperability, whether through enrolment in the DCC or via another means.
  - Desired outcomes are likely to be achieved through the proposal if sufficient clarity is offered to all energy suppliers, especially smaller ones who could otherwise struggle to comply with the requirement to enrol 'within a specified timeframe'.
  - Specifying the timeframe within which SMETS1 meters should be enrolled will give energy suppliers confidence over which potential customers they can provide smart services to.

Question 2: Do you agree with the proposal that suppliers should have six months from the point at which a SMETS1 meter can be enrolled to either enrol it or replace with a SMETS2 meter? Please provide evidence for any differing views on window length.

21. Forty respondents commented on this proposal. Eighteen respondents agreed, of whom ten provided caveats. Twenty-two respondents did not agree with the proposal with six setting out caveats. This proposal was opposed by the majority of energy suppliers. Network operators were broadly supportive of the proposal. There were mixed views among MAPs and other respondents.

22. Key points made by one or more respondents included:

- The six month timeframe is reasonable as it balances supplier logistics with customer expectations. By ensuring a prompt transition to the new arrangements, consumers can more quickly benefit from the advantages of switching.
- Some respondents felt the consultation provided insufficient evidence as to why a six month enrolment window is considered appropriate and provided alternative timeframes (12 months, 18 months, until the end of 2020, or as soon as reasonably practicable) or suggested setting cohort-specific deadlines. The suitability of the enrolment timeframe was seen largely as a factor of meter

volumes, DCC testing and piloting, and technical and procedural requirements for enrolment.

- The proposed timeframe does not reflect DCC or energy suppliers' capabilities to resolve emerging issues encountered during migration.
- Concerns were also raised that the six month timeframe does not factor in broader considerations, such as the impact of migrating over winter or the additional time that may be needed to enrol the meters of vulnerable or prepayment consumers.
- Additional clarity was also sought on the trigger for commencing the enrolment window and on the technical and procedural requirements of enrolment.
- The feasibility of replacing a SMETS1 meter with a SMETS2 meter will depend on SMETS2 procurement lead times.

**Question 3: Do you agree with the proposal that where a supplier gains a SMETS1 meter that can be enrolled but is unenrolled, it should either enrol it or replace with a SMETS2 meter within six months of the point at which it gains the meter?**

23. Forty-four respondents commented on this proposal. Thirty-one respondents agreed with the proposal, of whom 19 provided caveats. Twelve respondents disagreed, of whom five provided caveats. One respondent provided comments but neither agreed nor disagreed. A majority of energy suppliers, consumer groups and network operators agreed with this proposal. Other respondents had mixed views.

24. Key points made by one or more respondents included:

- Despite energy suppliers already have some incentive to enrol inherited SMETS1 assets so as to re-enable smart functionality, the proposal provides industry with more clarity on the expectations of interoperability. If the DCC migration approach is sufficiently robust, the six month timeframe is appropriate. However, the timeframe should be able to safely accommodate the SMETS1 volumes that would need to be enrolled.
- Every effort should be made to avoid removing a compliant SMETS1 meter which can be made interoperable.
- Gaining energy suppliers should have sufficient time to test their ability to operate SMETS1 meters before they are obligated to enrol or replace them. A longer timeframe for enrolling a gained SMETS1 meter would enable suppliers to investigate any issues and potentially re-initiate the migration. At the same time, it would help build energy suppliers' confidence in the DCC approach, reducing the likelihood that unenrolled inherited SMETS1 meter assets will be replaced before the end of their scheduled operational life.
- The success of the policy will depend on the process for enrolling a meter into the DCC and SMETS2 procurement lead times.

Question 4: Do you agree with our current expectation that energy suppliers would consider enrolment of eligible SMETS1 meters to be more desirable than replacing them with SMETS2? If you do not share this view please provide evidence to support your response.

25. Forty-two respondents provided views in response to this question. Thirty-seven agreed with the Government's expectation, of whom 13 provided caveats. One respondent disagreed, with caveats. Four respondents neither agreed or disagreed.

26. Key points made by one or more respondents included:

- Avoiding replacement would improve the customer experience and prevent energy suppliers incurring charges – both for the replacement SMETS2 asset and any premature replacement charges.
- Energy suppliers' approaches will depend on whether premature replacement charges apply if SMETS1 meters are replaced.
- Replacement with SMETS2 may be preferable or more cost-effective in certain scenarios, for example where a site visit is needed to enrol due to a faulty meter or communications hub.
- Energy suppliers may decide they only wish to operate SMETS2 meters if this helps facilitate simplified systems or service offerings.

Question 5: Do you agree with the proposal that any unenrolled SMETS1 meters should be replaced with SMETS2 meters by the end of 2020?

27. Forty-seven respondents provided views in response to this question. Twenty-four agreed with the proposal, of whom 13 provided caveats. Nineteen respondents disagreed of whom five provided caveats. Four respondents neither agreed nor disagreed. There was a roughly equal split among energy suppliers between those who supported the proposal and those who opposed it. It was opposed by MAPs. Consumer groups, network operators and other respondents generally supported the proposal.

28. Key points made by one or more respondents included:

- The proposal will ensure that all consumers can have an interoperable meter, either through enrolment or replacement, thus ensuring the benefits of market-wide interoperability are realised.
- Since the Operational Licence Condition (OLC) already requires that any unenrolled meters that are not providing smart services would have to be replaced from the end of 2020, there is not necessarily a need for an additional backstop.
- The replacement of unenrolled SMETS1 meters could increase programme costs.
- The proposal is not justified where the meter is operating in smart mode.

- It should be up to the consumer to decide whether an unenrolled SMETS1 meters should be replaced with SMETS2.
- The backstop date should account for the volumes of SMETS1 needing to be enrolled and DCC readiness to provide a fully operational and scalable service for both SMETS1 and SMETS2 meters.
- The obligation should be subject to ‘all reasonable steps’ as replacing a meter is subject to factors outside energy suppliers’ control, for example gaining access to the consumer’s premises.

Question 6: Do you agree with the proposal that once a SMETS1 meter has been enrolled in the DCC it should not be possible for a supplier to withdraw it and operate it outside of the DCC?

29. Forty-four respondents provided views in response to this question, with 43 agreeing with the proposal, of whom nine provided caveats. One respondent neither agreed or disagreed.

30. Those who provided caveats considered that the proposal is justified as long as:

- it doesn’t lead to significant risks to the consumer experience;
- there are no economic or social reasons that would justify withdrawing enrolled meters; or
- the costs and service offered by the DCC are comparable to operating outside the DCC.

Question 7: Do you have comments on the Government’s views regarding the likely challenges of delivering the alternative option (Option 2) in a timely manner on a market-wide basis?<sup>12</sup>

31. Forty respondents provided views in response to this question. The majority of energy suppliers agreed with the challenges that were identified in the consultation document in respect of Option 2 and preferred Option 1.<sup>13</sup> However, some energy suppliers felt that it wasn’t possible to ascertain which option is preferable as insufficient detail of the relative costs and benefits of each option had been provided. MAPs had mixed views as to whether Option 1 or 2 was preferable. The majority of network operators

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<sup>12</sup> This option proposed that energy suppliers would be required to take all reasonable steps to operate gained SMETS1 meters in smart mode from end-2019. Where energy suppliers are unable to operate SMETS1 meters gained prior to end-2019 in smart mode, having taken all reasonable steps, they would be required to take all reasonable steps to replace them with SMETS2 meters by end-June 2020. Where energy suppliers gain a SMETS1 meter after end-2019 which they are unable to operate in smart mode, having taken all reasonable steps, they would be required to take all reasonable steps to replace with SMETS2 within six months of the date it was gained. As a backstop, energy suppliers would be required to replace any SMETS1 meter which is not being operated in smart mode with a SMETS2 meter by 31 December 2020. Once a SMETS1 meter has been enrolled in the DCC it may not be withdrawn and operated outside the DCC.

<sup>13</sup> This option is described at paragraph 14.



and other respondents agreed with the Government's assessment of Option 2 and supported Option 1.

32. Key points made by one or more respondents included:

- Option 1 is a more inclusive route to enabling interaction with DCC to support switching.
- Option 2 does not provide the same incentives as Option 1 for energy suppliers to enrol SMETS1 meters as quickly as possible, which may result in a poor customer experience.
- Operating multiple networks in parallel to DCC's systems under Option 2 is likely to increase the overall cost of the programme and raises a number of specific design and operational challenges.
- Option 2 could increase the range of cyber security risks and threats as it requires interfaces between different third parties.
- Option 2 will leave the DNO with no visibility of some meters.
- Option 2 will not provide the consistency needed and may cause difficulties for some energy suppliers and third parties who can offer services through the DCC.
- Forcing energy suppliers to create relationships with SMSOs through a mandate under Option 2 is unlikely to be commercially feasible for energy suppliers, especially if they are already utilising the DCC service in respect of SMETS2 meters.
- A cost-benefit analysis of the alternative option is needed to ascertain which option is preferable.
- Option 2 could allow energy suppliers to resolve SMETS1 interoperability more quickly than via DCC enrolment, particularly for meters which are in the last group to be enrolled.
- As the DCC's service is unproven compared to that offered by SMSOs, there is a question of whether Option 1 is in the interests of pre-payment customers and those that are fuel poor.

Question 8: Do you agree that the legal drafting in Annex A implements the policy intention? If not please explain why not.

33. Nine respondents provided views. Eight agreed that the legal drafting implements the policy intention, with two providing caveats. One of these considered that further consultation on legal drafting would be needed, as they felt a range of significant decisions remain unresolved which would require material amendments to the draft legal text. The other respondent who provided caveats was concerned that the proposed six month enrolment window did not factor in the impact on energy suppliers



of enrolling meters in winter months. One respondent disagreed with the legal drafting as they did not agree with the preferred option.

Question 9: Do you have any additional comments on the legal drafting?

34. Two respondents provided views. One respondent considered that the end-2020 backstop should be subject to 'all reasonable steps', rather than an absolute obligation. The other respondent was concerned that any meter replacements required due to the end-2020 backstop would distract energy suppliers from the main rollout.

## 4. Government response

35. The consultation proposal comprised several components. Having considered the consultation responses, we set out our conclusions on each area below.

### Requirement to enrol eligible SMETS1 meters in the DCC or replace with SMETS2 meters

36. We propose to retain the obligation on energy suppliers to take all reasonable steps to enrol their eligible SMETS1 meters in the DCC within a specified timeframe. While some respondents contended that there are already sufficient commercial and reputational incentives on energy suppliers to enrol SMETS1 meters in the DCC, we consider that it is necessary to regulate so as to ensure the consumer and industry benefits of enrolment in the DCC are realised in a timely fashion. As noted in the consultation, without such an obligation there is a risk that some domestic consumers with SMETS1 meters who have changed energy supplier may not receive smart services until 2021 when the relevant exception to the OLC ceases to apply.<sup>14</sup>

37. We note the concerns that were raised about the proposal that energy suppliers would need to choose whether to enrol SMETS1 meters or replace with SMETS2 meters in a specified timeframe. We accept that retaining this obligation could cause unnecessary cost and operational impacts during the rollout period. We have therefore concluded that we will not introduce a requirement on energy suppliers to replace an unenrolled SMETS1 meter with a SMETS2 meter within a certain period of time from availability of enrolment (or the point a SMETS1 meter is subsequently gained on churn). In reaching this conclusion we have balanced the consumer benefits of receiving an interoperable service more quickly (if any unenrolled SMETS1 meter were replaced with SMETS2 within six months of the point it can be enrolled), against the cost and operational impacts of meter replacements during the main installation phase of the roll-out. Evidence from respondents indicates that these cost and operational impacts could be significant. We have also taken into account the broad agreement from respondents to the proposition that an energy supplier would

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<sup>14</sup> In the case of microbusiness premises, the energy supplier does not have to operate a SMETS1 meter in smart mode until potentially its end of life (assuming it is replaced with a meter enrolled in the DCC). The OLC does not apply to non-microbusiness non-domestic premises.

generally find it preferable to enrol an eligible SMETS1 meter rather than replace it with a SMETS2 meter (see question 4 above).

38. However, as discussed in paragraphs 43 to 45 below, in line with another consultation proposal, we intend to introduce an end-2020 backstop obligation for any unenrolled SMETS1 meters, requiring they be replaced with SMETS2 meters. This is intended to ensure that by the end of 2020 all consumers with smart meters retain smart services when they switch energy supplier.

## Enrolment timeframe

39. We remain of the view that specifying a timeframe for enrolment is necessary as it provides more certainty to consumers and industry and helps secure a fully interoperable smart meter market as early as possible.

40. Some energy suppliers provided migration project plans with their responses which show that six months may be overly challenging, due to the need for testing their systems and piloting before migration of SMETS1 meters to the DCC can commence at scale. Having considered these points and other responses to the consultation, we agree that enrolment needs to be carried out carefully so that the consumer experience is protected, particularly as SMETS1 meters to be enrolled are live in consumers' homes and businesses.

41. We will therefore introduce a requirement on energy suppliers to enrol eligible SMETS1 meters in the DCC within 12 months of the point from which it is possible to do so (or from the point an unenrolled meter is gained on change of supplier). We consider this would provide energy suppliers sufficient time to undertake piloting and end-to-end testing prior to commencing mass-migration of meters into the DCC, to ensure this can be done in a way which minimises the risk of causing consumer detriment.

42. In response to concerns raised by respondents that the consultation provided insufficient clarity as to how SMETS1 meters will be deemed to be 'eligible' for enrolment, we propose that enrolment eligibility will be determined with reference to the point in time at which device models are added to the Eligible Product Combinations list. This is a list of device model combinations in relation to which DCC has proven through testing its ability to process service requests. We will consult on any necessary amendments to the SEC in due course.

## End-2020 backstop obligation

43. We remain of the view that by the end of 2020 all consumers with smart meters should be able to retain smart services when they switch energy supplier. We recognise that the OLC is intended to deliver this outcome; however, it does not specify the means by which smart services are to be provided in respect of unenrolled SMETS1 meters which may lead to consumers facing different outcomes depending on their energy supplier. This may cause confusion and undermine consumer confidence in the rollout. Introducing the proposed end-2020 backstop obligation is therefore intended to help provide clarity to industry and consumers on the mechanism by which an interoperable smart service is provided to all consumers with smart meters by the end of the rollout.
44. We also note some of the comments received regarding the alternative option consulted on (see question 7 above) are relevant here. In particular, respondents noted the potential for increased costs and operational challenges, and limited access to third party services or network benefits, where SMETS1 meters are being operated in parallel systems outside the DCC. Having considered these points, we do not agree that the backstop obligation should not apply if the unenrolled SMETS1 meter is operating in smart mode at end-2020, or that it should be up to the consumer to decide whether the meter should be replaced, as some responses to the consultation proposed. Our preferred approach would mean that all smart meters are operated via the DCC by end-2020. This is intended to ensure a consistent service offering for the consumer, streamline energy suppliers' interfaces for operating smart meters, ensure network benefits can be maximised, and provide a uniform basis for access to, and provision of, third party services.
45. However having considered responses to the consultation, we recognise that there may be practical reasons in a limited number of cases why an unenrolled SMETS1 meter cannot be replaced by a SMETS2 meter by end-2020, for example where the energy supplier is unable to access the consumer's premises. We therefore propose to amend the consultation proposal such that energy suppliers will be required to take all reasonable steps to replace any unenrolled SMETS1 meter with a SMETS2 meter by the end of 2020.

## Withdrawal of enrolled SMETS1 meters from the DCC

46. As stated in the consultation, allowing enrolled meters to be withdrawn could lead to an uncertain outcome for consumers and potentially be detrimental, for example if certain services supported by the DCC are not available outside of the DCC. We did

not receive evidence from respondents that changes this view and in light of the broad support for this proposal, we intend to introduce a prohibition on energy suppliers withdrawing enrolled SMETS1 meters and operating them outside the DCC.

## Conclusion

47. As noted above, our overall aim is to ensure interoperability for SMETS1 meters so that smart functionality is retained when consumers with these meters switch energy supplier. We consider that the decisions set out in this consultation response are a proportionate means of delivering this objective. They are intended to ensure that an interoperable smart metering service is available for all consumers with smart meters by the end of the roll-out, and that the consumer and industry benefits of operating meters via the DCC are delivered.
48. We continue to recognise, as we noted in the consultation document, the potential implications our proposed approach may have for existing contractual arrangements between energy suppliers and other industry parties. We also note that a minority of respondents considered that a more general obligation on energy suppliers to deliver an interoperable SMETS1 service would be preferable to mandating enrolment of SMETS1 meters in the DCC. They considered, for example that this would allow energy suppliers to pursue alternative approaches which could resolve interoperability issues more quickly and reliably. In reaching our conclusions we have taken both the potential impacts on existing contracts, and the views of those who preferred a different approach, into account. However, we remain of the view – as stated in the consultation – that a market-wide SMETS1 data and communications service would provide a number of benefits for consumers and the energy system.
49. Additional public policy benefits of this proposal, which have been balanced against the potential burden on individual industry parties, include the efficiencies to be gained from maximising use of the existing DCC infrastructure and rationalising smart metering interfaces and processes within energy supplier businesses.
50. Our policy objective remains for all significant populations of SMETS1 meters to be enrolled in the DCC. The enrolment mandate is intended to ensure that energy suppliers enrol eligible SMETS1 meters, rather than replace them with SMETS2 meters, and we are encouraged by the broad support from respondents to the proposition in the consultation that energy suppliers would generally consider enrolment of SMETS1 meters to be preferable to replacing them with SMETS2 meters.
51. Alongside this document we have published a consultation response confirming that in light of the positive net societal benefit, security and technical considerations, the

DCC will be required to provide a SMETS1 service for four of six SMETS1 meter cohorts (comprising Aclara, Honeywell Elster, Itron and Landis+Gyr meters), representing around two-thirds of the expected SMETS1 meter population.<sup>15</sup> We intend to consult on enrolment of the remaining two cohorts – comprising EDMI and Secure – once sufficient information is available following further engagement between existing and prospective service providers and the DCC. We encourage all relevant parties to facilitate this engagement swiftly to enable the consultation to commence.

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<sup>15</sup> See: <https://www.gov.uk/government/consultations/enrolment-of-smets1-meter-cohorts-with-the-data-communications-company>

## 5. Summary of legal text and next steps

52. The final draft legal text is summarised below, and attached in full at Annex A (published separately alongside this consultation response). Every effort has been made to ensure that the explanatory text in the main body of this consultation document reflects the legal drafting in Annex A. We have also sought to ensure that the explanatory text provides a clear and simplified overview of our proposals, however the legal drafting should be considered to be definitive in the event that there is an inconsistency between it and the explanatory text.

53. The draft legal text will be laid before Parliament on 9 October 2018 in line with the procedure under section 89 of the Energy Act 2008.

Summary of Legal Text (see Annex A for full version)	
Electricity supply standard licence condition (SLC) 1.3  Gas supply SLC 1.3	<ul style="list-style-type: none"> <li>Provides a new definition of ‘SMETS1 Smart Metering System’.</li> </ul>
Electricity supply SLC 54.1  Gas supply SLC 48.1	<ul style="list-style-type: none"> <li>Amendments to clarify that the Licence Condition applies where the licensee is a DCC User.</li> </ul>
Electricity supply SLC 54.2 and 54.3  Gas supply SLC 48.2 and 48.3	<ul style="list-style-type: none"> <li>Provides for a new requirement on energy suppliers at both domestic and smaller non-domestic premises to take all reasonable steps to enrol eligible SMETS1 meters in the DCC, within 12 months of the later of:                             <ul style="list-style-type: none"> <li>the date on which the meter is first eligible for enrolment; or</li> <li>the date the licensee becomes the relevant energy supplier.</li> </ul> </li> <li>The enrolment window may be extended by way of a Secretary of State direction.</li> </ul>
Electricity supply SLC 54.4 and 54.5  Gas supply SLC 48.4 and 48.5	<ul style="list-style-type: none"> <li>Provides for a new backstop requirement on energy suppliers at both domestic and smaller non-domestic premises to replace any unenrolled SMETS1 meter with a SMETS2 meter by the end of 2020.</li> </ul>

<p>Electricity supply SLC 54.6 and 54.7</p> <p>Gas supply SLC 48.6 and 48.7</p>	<ul style="list-style-type: none"> <li>Amends the existing enrolment duty to reflect the definition of 'SMETS2+ Smart Metering System', including specific reference to Communications Hub Function as part of the SMETS2+ Smart Metering System.</li> </ul>
<p>Electricity supply SLC 54.8 and 54.9</p> <p>Gas supply SLC 48.8 and 48.9</p>	<ul style="list-style-type: none"> <li>Provides that where a Smart Metering System is Enrolled at domestic or smaller non-domestic premises, the licensee must take all reasonable steps to ensure that at all times the energy meter and Communications Hub Function (and in the case of gas supply, Gas Proxy Function) are Commissioned.</li> </ul>
<p>Electricity supply SLC 54.10</p> <p>Gas supply SLC 48.10</p>	<ul style="list-style-type: none"> <li>Provides definitions for 'Communications Hub Function', 'Eligibility Date' and 'Eligible for Enrolment'</li> </ul>



