

Annex C: Final stage impact assessment

Title: Non-Domestic Smart Meter Rollout Post-2025: Driving Smart Meter Uptake in support of the Clean Power Mission and Protecting Non-Domestic Consumers in the Transition to Smart-Contingent Contracts

Type of measure: Regulatory (amendments to energy supplier licence conditions and the Retail Energy Code) - using existing powers under Section 88 of Energy Act

Department or agency: Department for Energy Security and Net Zero

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Contact for enquiries: SmartMeterModelling@energysecurity.gov.uk

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1. Summary of proposal

- 1.1 Smart meters are being rolled out to smaller businesses and public sector sites and are a crucial component of achieving a clean and flexible power system by 2030. Smart meters are expected to reduce non-domestic energy consumption in smaller businesses and public sector sites by 2.8% (electricity) and 4.5% (gas), delivering customer bill savings and avoiding estimated bills.¹
- 1.2 To support this, suppliers are required to provide all small organisations with smart meters with free and regular information on their energy use. This can help organisations with monitoring and management of energy costs including identification of ways to reduce overall consumption, run operational processes more efficiently, upgrade equipment and choose the best energy deal/tariff to maximise bill savings.²
- 1.3 Non-domestic smart meter data also facilitates energy system benefits such as demand-side response measures, industrial decarbonisation and Market-Wide Half-Hourly Settlement. It can be used to set emissions reduction targets and evidence progress against decarbonisation pathways. The Government's vision for smart meters is to reach the highest levels of uptake in small businesses and public sector sites by 2030 in support of the Clean Power Mission, and to maximise access to, and engagement with, smart meter data across the energy system through a mix of policy, engagement and innovation.
- 1.4 The non-domestic smart meter rollout covers ~3 million meters in smaller sites across a range of sectors, from retail and hospitality to schools.³ The approach to the rollout of smart meters in the domestic and non-domestic sectors has, to date, been treated largely the same (with energy suppliers setting binding, separate domestic and non-domestic installation targets until 31st December 2025). Equally both rollouts are well established, with the majority of metered premises having a smart meter (as of Q1 2026 67% of non-domestic premises had smart or advanced⁴ meters installed compared to 72% of domestic premises). As with the domestic rollout, suppliers need regulatory certainty to continue non-domestic rollout momentum and drive investment in workforce capacity from 2026 and the Government therefore needs to decide the appropriate policy framework for new non-domestic installations moving forward.
- 1.5 The non-domestic policy package has been designed in response to energy suppliers increasingly making their non-domestic fixed term energy contracts for smaller non-domestic sites conditional on the customer agreeing to have smart meters installed. Non-domestic fixed term contracts are, on average, around 40% less expensive than alternatives due to there being no price cap in the non-domestic market.⁵ Therefore, suppliers (who unlike in the domestic sector are under no obligation to supply non-domestic premises when requested) have started to use smart-contingent contracts to drive smart meter uptake amongst smaller organisations who are harder to engage with smart metering. The rationale for intervention is further set out in Section 2.

¹ [Smart Metering Implementation Programme - Cost-Benefit Analysis 2019](#)

² [Maximising non-domestic smart meter consumer benefits, improving the data offer and enabling innovation - GOV.UK](#)

³ The smart meter mandate is defined in energy supplier licence conditions as sites in electricity profile classes 1-4 or with gas consumption below 732 MWh per annum; <https://www.gov.uk/government/statistics/smart-meters-in-great-britain-quarterly-update-december-2024>

⁴ Advanced meters are a type of half-hourly meter found in the non-domestic sector. They have some, but not all, of the characteristics of smart meters and can facilitate bill savings and accurate bills but do not connect to the DCC. They can be installed in smaller sites in limited circumstances such as where a non-microbusiness chooses advanced metering for a consistent portfolio or data solution. Throughout the rest of this document, we use "smart meter" to interchangeably refer to both non-domestic meter types for ease unless explicitly stated.

⁵ The alternative to a fixed term contract would usually mean the customer rolling onto a pre-specified "out of contract" rate or entering a deemed contract for energy. The 40% differential stated is based on a comparison of published out of contract rates against quotes for fixed term contracts available on energy supplier websites.

- 1.6 The government believes there are benefits to be realised from the introduction of smart contingent contracts, though there are also potential risks for non-domestic consumers caused by inconsistent market implementation. The policy package has therefore been designed to protect non-domestic consumers from these risks at the same time as utilising these contracts to drive the high levels of smart meter coverage needed for the Clean Power 2030 Mission. It consists of **new energy supplier licence conditions** which specify:
- A **universal implementation requirement**. Energy suppliers must make all of their new fixed term non-domestic energy contracts conditional on the customer having, or agreeing to have, smart or advanced meters installed in their designated premises⁶ from the **1st September 2027**. This ensures a phased transition for customers when their fixed term contract is next renewed after this date.
 - A **universal communication requirement**. Ahead of the 1st September 2027 date, all suppliers must start to communicate from **1st January 2027** these upcoming changes to customers. This allows a period (1st January 2027 – 1st September 2027) for the market to prepare for this change and for widespread awareness raising to customers.
 - An obligation to follow a legally binding **consumer protection code** (which will be established as a new schedule to the Retail Energy Code) by 1st September 2027. The code contains provisions to ensure suppliers deliver a fair customer experience of smart-contingent contracts, including with respect to fulfilment of customer appointments, ensuring transparent and proportionate implementation and accounting for small organisations in financial difficulty.
- 1.7 The new supplier obligations are also supported by a range of policy guidance intended to support policy outcomes. In particular, the government has published case studies and a non-domestic consumer guide to their rights and expectations under smart-contingent contracts to drive further consistency and proportionality in supplier delivery and enforcement of smart-contingent contracts. The government has also published an energy supplier toolkit to aid suppliers to communicate the policy consistently and in a way that supports consumer understanding and acceptance of the policy changes, which is based on research with consumers. Finally, the government has published a policy statement issued by the Department for Energy Security and Net Zero, alongside boilerplate communications, designed to support commercial landlords and tenants to cooperate to facilitate smart meter installations under the policy.
- 1.8 Alongside delivering new installations and ensuring customers are protected in the transition to smart-contingent contracts, it is important that suppliers also maintain focus on ensuring a positive non-domestic customer experience of smart metering and are resourced to deliver the transition to 4G metering (as part of the national transition to 4G communications when the 2G and 3G mobile networks are switched off by end 2033). Therefore, the Government and Ofgem also intend to utilise **existing** licence conditions to require suppliers to provide annual information (as one joint policy RFI) with respect to their resourcing and capacity plans (which will be used to drive best practice and contextualise Ofgem enforcement decisions regarding smart-contingent contracts). This does not require any new regulation and is therefore not in scope of this impact assessment.

⁶ Designated premises are small-medium sites in scope of the smart meter rollout. They are defined in energy supplier licence conditions as non-domestic sites in electricity profile classes 1-4 or with gas consumption below 732 MWh per annum. In this Impact Assessment, 'non-domestic sites/customers' therefore refers to sites in scope of the rollout/this policy package.

- 1.9 Non-domestic smart meters are also in scope of recent **amendments to the smart metering Operational Licence Condition**. These new regulations (including full details and rationale) are intended to drive timely resolution of smart meters not operating in smart mode and pre-emptive replacements ahead of 2G/3G sunset. These were confirmed via a separate published government response and accompanying final impact assessment.⁷ They are therefore not assessed within this package of measures which focuses on driving new non-domestic smart meter installations.

2. Strategic case for regulation

What is the problem under consideration? / What evidence is there to support the problem statement?

- 2.1 The non-domestic smart meter rollout constitutes 6% of meters in scope of the smart metering rollout but has high energy savings potential. Smart meters, together with the provision of data, are estimated to reduce non-domestic consumption by 2.8% (electricity) and 4.5% gas.⁸ Accurate bills from smart meters ensure organisations pay for what they use, avoiding estimated bills (and any associated bill shock). Non-domestic smart meter data can also facilitate broader system benefits such as Market-Wide Half-Hourly Settlement, industrial decarbonisation and demand-side response measures.
- 2.2 At the end of Q1 2026, 67% of smaller non-domestic sites had smart meters installed. Whilst positive progress has been made, several challenges are becoming more salient as we reach higher levels of uptake.⁹

Customer diversity and harder to reach sites

- 2.3 The non-domestic smart meter rollout shares similar challenges to other non-domestic energy efficiency policy areas, such as wide diversity in non-domestic customer types and premises (adding complexity to the customer journey) and limited energy management expertise and time to engage within small organisations.¹⁰
- 2.4 In 2022 Government commissioned a segmentation of non-domestic customer attitudes to smart meters to better understand how reasons for acceptance and rejection might be categorised.¹¹ This suggested that market-wide non-domestic attitudes to smart metering at the time were broadly positive, with 6 in 10 (59%) willing to seek/accept a smart meter in the next six months. However, there were two segments of non-domestic consumers with much higher rejection rates (49% rejection in the “no risks and cost conscious” segment, 56% rejection in the “profit focused and instinctual” segment). A fifth (21%) of the non-smart population also remained “indifferent” to smart meters despite increasing campaign activity from suppliers.
- 2.5 To reach the highest levels of coverage, suppliers will need to find ways to convert these segments to smart meters.

⁷ [Smart metering policy framework post 2025 - GOV.UK](#)

⁸ [Smart meter roll-out: cost-benefit analysis 2019 - GOV.UK](#)

⁹ [Smart meters in Great Britain, quarterly update March 2025 - GOV.UK](#)

¹⁰ [Smart metering in non-domestic premises: early research findings - GOV.UK](#)

¹¹ <https://www.gov.uk/government/publications/non-domestic-smart-meter-consumer-segmentation>

- 2.6 A survey of non-domestic customers carried out in Q4 2024¹² found that almost 8 in 10 (79%) either already have a smart meter or would seek/accept an installation in the next six months. Overall attitudes were therefore broadly positive, however the proportion of the non-smart non-domestic population that would reject a smart meter had increased both compared to the previous survey (to 16% of all non-domestic consumers) and as a proportion of remaining customers (as those with more positive attitudes are on average converted first). In addition, around a fifth of microbusiness consumers remain unaware of smart metering for businesses despite extensive industry engagement and awareness raising¹³.
- 2.7 In addition, during bilateral meetings held with large non-domestic suppliers in December 2024 and Winter 2025 suppliers argued that while there remains a steady demand for smart meters, this demand was beginning to show signs of exhaustion. Whilst suppliers mentioned some successful strategies to encourage more installations, such as offering rewards, leveraging green energy campaigns, improving customer service, and focusing on resolving technical issues to build trust, they noted that converting the remaining hard to reach segments remains challenging. Suppliers also noted vacant non-domestic premises and customers that manage their energy via Third Party Intermediaries (TPIs) as further examples of harder to reach premises.
- 2.8 Overall, this suggests that demand for smart meters among non-domestic consumers is likely to be a constraint to achieving the most ambitious levels of uptake needed to support the Government's Clean Power 2030 Mission.

Smart-contingent contracts: market developments

- 2.9 "Smart-contingent contracts" for the purpose of this impact assessment are defined as fixed term energy contracts that require non-domestic customers to have, or agree to have moving forward, smart meters installed to be eligible for certain deals or terms and conditions. Suppliers have more flexibility in the non-domestic sector with respect to their implementation because:
- **They do not have to meet a universal supply obligation in the non-domestic sector.** All suppliers must make at least one tariff universally available to any household that asks to be supplied whereas in the non-domestic market, energy contracts are treated as commercial agreements and therefore suppliers can determine their contractual conditions as they determine appropriate (providing they act in compliance with licence conditions).
 - **The energy price cap** does not apply to non-domestic customers and therefore suppliers are not bound by price cap considerations when deciding what rates to charge for energy or in setting their deemed or out of contract rates.¹⁴
 - **Contracts are often bespoke (i.e. negotiated 1:1)** again giving suppliers more commercial flexibility regarding the terms they negotiate and implement with individual non-domestic customers.

¹² Yougov, 2024. Online quota survey of 497 non-domestic energy decision-makers whose organisations are in scope of the smart meter mandate, weighted to be representative of the non-domestic smart meter mandate population. [Annex A: Analytical evidence \(accessible webpage\) - GOV.UK](#)

¹³ SEGB Microbusiness tracker research, conducted by Yonder consulting, Nov 2025 (unpublished)

¹⁴ Out of contract rates are higher rates paid for energy when a fixed term contract ends and is not renewed, but which were specified upfront in that contract, e.g. "after x date if you do not renew your contract, you will pay x per KWh". Deemed rates are higher rates paid when out of contract but not specified up front within a fixed term contract.

- 2.10 In response to the customer complexities noted, the Government has observed a recent growth in the use of “smart-contingent contracts” by suppliers to convert non-domestic customers to smart metering:
- In 2022, we observed a small number of smart-contingent contracts in the market. However, suppliers were not taking steps to enforce these contracts (i.e. implement consequences if customers sign smart-contingent contracts but later choose not to have the smart meters installed) or were not actively communicating these contract terms.
 - In 2023, the Government (as part of the Smart Metering Targets Framework Mid-Point Review Government response¹⁵), noted that energy suppliers do have the commercial flexibility to make their non-domestic contracts conditional on smart meters, and subsequently worked with industry to develop and publish voluntary customer protection principles¹⁶ covering fair customer access, proportionate enforcement and customer awareness. Ofgem also referenced the principles in their own non-domestic retail market review response.
 - Since 2024, we have seen a further increase in the number of non-domestic suppliers implementing smart-contingent contracts. In March 2026, as part of the further stakeholder engagement exercise conducted following consultation, we carried out an updated review of smart-contingent contracts being deployed in the market. This identified:
 - Smart-contingent clauses being used in some capacity by many non-domestic energy suppliers.
 - The consequences of not proceeding with a smart meter installation after signing the contract written into contracts tends to fall into two categories; suppliers reserving the right to terminate fixed term contracts/ move customers onto deemed/out of contract rates or pass down any losses incurred resulting from contract breaches within contract. Some suppliers also noted considering interactions with Market-Wide Half-Hourly Settlement charges (e.g. the cost of manually reading remote meters).
 - Cases of existing clauses which risk penalising the customer for factors outside of their control. This was supported by some stakeholder responses to the consultation.
 - A lack of transparency regarding enforcement plans; some suppliers that opposed the policy due to concerns about enforcing these contracts had provided insight in other forums that they intend to pass down costs to at least some groups of non-domestic customers. Some suppliers had also previously noted using assertive messaging to remind customers of these terms (but not yet enforcing the terms) whilst others had noted planning or considering enforcement action if customers renege on their contractual agreement to have smart meters.
- 2.11 The Government considers there may be opportunities from smart-contingent contracts, though there are also potential risks caused by inconsistent market implementation. These risks include customer confusion over what is required of them; and piecemeal or inconsistent implementation and enforcement of contractual requirements by suppliers – either through prohibitive penalties/charges or a lack of action, due to fear of commercial disadvantage. This is detailed further in the rationale for intervention section below.

Broader non-domestic policy framework context

¹⁵ <https://www.gov.uk/government/consultations/smart-meter-targets-framework-minimum-installation-requirements-for-year-3-2024-and-year-4-2025>

¹⁶ [Non-domestic smart meter contingent contracts: industry best practice sharing principles \(accessible webpage\) - GOV.UK](#)

- 2.12 The previous 2022-2025 smart metering Targets Framework, which set suppliers binding non-domestic installation targets (and therefore incentivised them to drive progress with respect to their non-domestic rollout) ended on 31st December 2025. We therefore need to ensure the non-domestic smart meter rollout continues at pace, in order to deliver the full benefits case of the smart meter rollout and to support the Clean Power 2030 Mission. In designing this policy framework, we also need to account for suppliers' other future strategic objectives which are not included within this regulatory package, including the importance of ensuring a positive non-domestic customer experience of smart metering and upgrading relevant non-domestic metering to 4G (as part of the national transition to 4G communications when the 2G and 3G mobile networks are switched off by end 2033).

Why is government action or intervention necessary? / What gaps or harms would occur if government doesn't intervene?

- 2.13 Currently the only supplier licence condition driving new non-domestic installations is the New and Replacement Obligation (NRO), which requires energy suppliers to take all reasonable steps to install a smart meter wherever a meter is replaced or installed for the first time. In addition to meeting the NRO, energy suppliers may implement smart-contingent contracts, if they wish to.
- 2.14 If suppliers continue to be left to implement smart-contingent contracts without intervention, we propose that there are two scenarios which could occur; one in which in the absence of regulatory incentives to accelerate the rollout of non-domestic smart meters, progress stalls due to suppliers plateauing or rolling back on the implementation of smart-contingent contracts because they fear 'going first' with respect to enforcement. In the other, some (but not all) suppliers do implement these contracts and enforce the terms aggressively, driving some additional smart meter uptake but with heightened risks to consumers. These possible scenarios are further explored as counterfactuals in the economic appraisal in Section 7.
- 2.15 In either of these scenarios where government doesn't intervene to establish a new policy framework to drive new non-domestic installations, there are a number of market failures which could occur:
- **Positive externalities are overlooked:** The installation of smart meters will make our energy system more efficient and flexible, enabling us to use renewable energy more effectively and reduce our reliance on fossil fuels. Suppliers and consumers can be unaware of the positive externalities associated with using more renewable energy and reducing our reliance on fossil fuels, which include reduced greenhouse gas emissions, better air quality, and improved energy security. As these external benefits are often overlooked, it's likely that in the absence of intervention, investment in the rollout of smart meters isn't delivered to a level that maximises social welfare.
 - **Coordination Failure:** In the absence of government intervention, it is unlikely that all energy suppliers will complete the rollout of non-domestic smart meters due to the difficulties in coordinating such a significant national infrastructure upgrade. There is a risk of some energy suppliers only installing and repairing at the rate of the slowest market entrants, therefore prolonging the rollout and delaying the benefits gained.
 - **Misaligned incentives:** Without further intervention, energy suppliers, who incur the direct costs but only partially benefit, are not consistently incentivised to install sufficient meters to meet consumer demand, where consumers largely benefit but do not face the upfront costs of the rollout. As such, different energy suppliers may take varied approaches to the non-

domestic smart metering rollout and may no longer be incentivised to maintain/grow their smart metering workforces.

- **Imperfect information and bounded rationality:** In the non-domestic energy market, a significant proportion of smaller organisations remain unaware of smart meters and the benefits they offer. These consumers may be particularly vulnerable to bounded rationality, meaning that due to the demands of their business, they may lack the time or opportunity to build their knowledge to make decisions that would maximise the benefits they are eligible for. According to research conducted in 2025, around a fifth of microbusinesses remain unaware of smart meters, despite extensive outreach and engagement efforts¹⁷. This highlights a persistent market failure driven by imperfect information and bounded rationality. Without government intervention or the voluntary implementation and enforcement of smart-contingent contracts by suppliers, these remaining non-domestic consumers are unlikely to engage with or benefit from smart meter adoption, resulting in suboptimal outcomes that fail to maximise social welfare.

2.16 The varied approaches energy suppliers may take to their non-domestic smart metering rollout in the absence of intervention may occur specifically with respect to implementation of smart-contingent contracts. In both of the non-regulatory scenarios noted above and further explored as counterfactuals, a lack of intervention could lead to the following shared risks or harms, therefore justifying policy intervention:

- **Smart meter coverage below that needed for the Clean Power Mission.** The predicted level of smart meter coverage under both scenarios is inconsistent with the Government ambition for moving to a zero-carbon electricity system by 2030. NESO's modelling suggests that 86-90% working electricity smart meter coverage is needed to enable the volume of demand flexibility that is required to support the Clean Power 2030 mission.¹⁸
- **A significant loss of consumer benefits** due to lower smart meter coverage. As outlined, smart meters, together with the provision of data, enable non-domestic customers to monitor, manage and reduce their energy use as well facilitating accurate bills and access to innovative products and services. Reduced smart meter uptake means bill savings potential is missed in addition to customers losing out on the benefits of smart services and potentially facing higher estimated bills.
- **Costs to non-domestic customers of slow momentum.** Slow progress would also result in increased costs to suppliers, such as those incurred through running both traditional and smart customer relationship management and billing systems for longer and maintaining a larger installer workforce over a longer period of time. These increased costs would ultimately be passed down to consumers.
- **Proactive customer demand for smart meters is insufficiently met.** Proactive non-domestic customers (e.g. those that will seek a smart meter themselves or accept one if offered by their supplier) may not be able to get a smart meter and realise the associated benefits if their supplier has (in the absence of regulation) deprioritised their non-domestic rollout.
- **Reduced non-domestic fieldforce and loss of specialised skillsets.** Energy suppliers may fail to sufficiently invest in installers that are specialised to deliver non-domestic installations due to a lack of regulatory drivers on new installations. This could have knock-on negative impacts for suppliers' abilities to successfully deliver other strategic objectives such as the non-domestic 4G transition. Even if some suppliers are motivated to invest to meet their own contractual arrangements, any market-wide reductions in demand could negatively impact on Meter Operator Providers (MOPs) abilities to train and recruit, reinforcing negative impacts for all suppliers.

¹⁷ SEGB Microbusiness tracker research, conducted by Yonder consulting, Nov 2025 (unpublished)

¹⁸ See: NESO (2024) <https://www.neso.energy/document/346791/download>

- **Economic impacts.** Alongside the above, fewer installers than currently employed would be needed to deliver the NRO with direct consequences for individuals and unemployment levels. In addition, if a future decision were taken to ramp the non-domestic rollout back up again, both cost and time would be needed to re-grow resource back to previous levels.
 - **Limited transparency and customer confusion in the market drives negative outcomes.** It would not be clear to customers which deals are smart-contingent and which are not or what the consequences will be in reality for them failing to comply with the smart-contingent element. This is particularly heightened where suppliers use assertive messaging with consumers but ultimately choose not to enforce, with potential to drive confusion and mistrust. This confusion may also extend to TPIs, who are time-limited and may not engage in the complexities of varied market offerings (preferring instead to avoid messaging on smart metering to customers altogether). In some scenarios, some customers could face avoidable penalties for smart-contingent contract breaches due to limited understanding.
 - **Limited customer protection.** If some suppliers do continue with the implementation and enforcement of smart-contingent contracts, they would need to abide by existing licence conditions and voluntary customer protection principles regarding their implementation. However, there are currently no binding obligations which are specific to protecting customers from the risks of smart-contingent contracts. These risks include unfair or disproportionate enforcement action against customers by suppliers, such as implementing penalties where the reason the customer could not have a smart meter was not in their control or failing to consider the circumstances of a small business when applying penalties (i.e. small businesses in financial difficulty).
 - **Reputational damage to the rollout.** If suppliers were perceived to be implementing smart-contingent contracts in a way that is detrimental to non-domestic consumers without sufficient parallel steps taken by Government to protect consumers from the risks, this could draw increasingly negative reactions (and media coverage) from business advocates as awareness of supplier actions increases. This may have knock-on impacts for demand for smart meters from other organisations and wider negative reputational impacts.
- 2.17 Government will use data from a planned annual energy supplier Request for Information (RFI) in addition to other available data and information sources (for example industry engagement and administrative data), to monitor policy outcomes in the early years of implementation. This will include an assessment of impacts as well as the need for any further intervention.
- 2.18 This evidence will complement existing and extensive ongoing monitoring and evaluation carried out by the Smart Metering Implementation Programme (DESNZ) including the recently commissioned Interim Programme Evaluation which is due to report through 2026 on a wide range of benefits including: wellbeing and energy-saving benefits for domestic and non-domestic consumers; system-level benefits in energy network operations and small-scale flexibility; and benefits stemming from the development of a trained smart meter installer workforce. A **Post-Implementation Review** (PIR) of the smart meter roll-out is scheduled from 2035.

3. SMART objectives for intervention

- 3.1 We have identified four key design principles underlying the non-domestic policy framework which have been in place for a number of years and remain relevant today. These are:

- To encourage customers to benefit from the rollout of smart meters, including how to use the data from their smart meters.
- To deliver a market-wide rollout of smart meters as soon as possible, that ensures value for money and maintains installation quality so that consumers can derive maximum benefit and have a good experience.
- To normalise smart meters so they are the default meter used in Great Britain.
- To provide certainty to the whole sector to invest and plan.

3.2 The policy package in this impact assessment meets several SMART objectives which align with the design principles above:

1. **2030 Market-Wide Rollout:** To fulfil a market-wide non-domestic rollout of smart meters, contributing to the Clean Power 2030 Mission.
2. **Leverage existing market mechanisms and solutions to drive additional consumer demand for smart meters:** To capitalise on existing market mechanisms and solutions to increase non-domestic consumer demand for smart meters beyond 2027 above and beyond what it would have been without policy intervention.
3. **Protect smaller non-domestic customers:** To protect smaller non-domestic customers (including small businesses) from the risks of inconsistent market-led implementation of smart-contingent contracts. For example, unfair or disproportionate enforcement action against customers by suppliers for smart-contingent contract breaches or varied approaches to enforcement and limited transparency leading to customer confusion, mistrust or accidental contract breaches due to lack of understanding.
4. **Certainty:** To provide certainty and clear objectives as soon as possible to the non-domestic sector to invest, plan and ensure sustainable growth in their operational readiness ahead of and beyond 2030.
5. **Future flexibility:** To allow non-domestic suppliers to deliver new smart meter installations in a way that optimises their (current and future) portfolio of meters and broader commercial priorities, including nuances specific to the non-domestic energy market.

3.3 The design principles and SMART objectives included in this section align with the objectives of the Department for Energy Security and Net Zero and wider Government:

- “[To lead] the Government mission to achieve clean power by 2030 and accelerate to net zero.” – by ensuring high levels of non-domestic smart meter uptake this supports smart meter benefits realisation across the energy system.
- “[To provide] British jobs and supply chains and a successful Great British Energy” – ensuring that any plans allow investment for sustainable growth allows UK based green workforces to be maintained / grown as appropriate to market needs.
- **Kickstarting Economic Growth** – measures to drive high levels of non-domestic smart meter uptake support the objective to “Drive innovation, investment and the adoption of technology to seize the opportunities of a future economy, from AI to net zero” In addition, the policy aims to ensure a fair transition to smart metering, helping smaller non-domestic organisations leverage the benefits of smart meters to drive growth and minimise risks to negative economic impacts.

4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives

4.1 Under both non-regulatory scenarios (explored later as counterfactuals), there are risks of a market which is not functioning effectively in the interests of non-domestic customers or

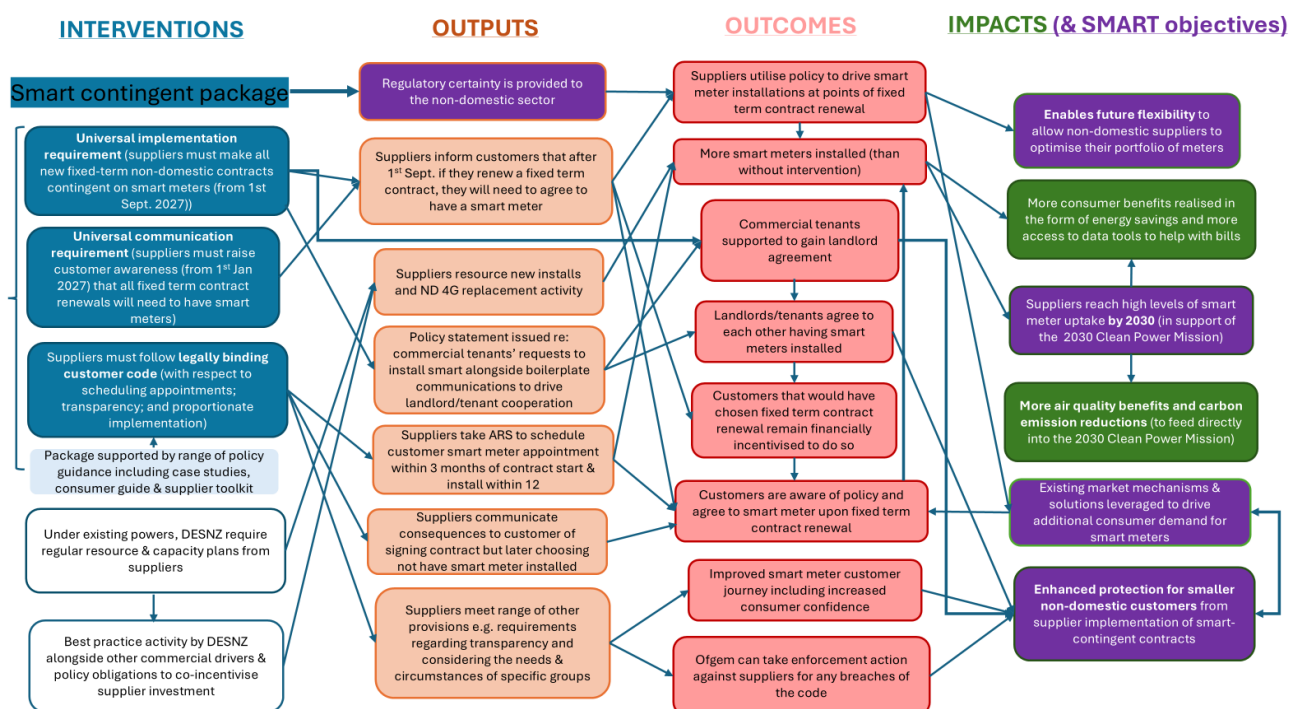
in pursuit of the Government's Clean Power 2030 Mission. The underlying principle of the policy package is therefore that in any case, smart-contingent contracts are becoming increasingly normalised in the non-domestic energy market, and that this, in and of itself, presents an opportunity to drive the rollout in a timely and cost-effective manner. However, for these opportunities to be maximised, implementation and risks must be managed to avoid this being delivered in a piecemeal or uneven way and to ensure the interests of smaller non-domestic customers are considered. This therefore requires policy levers targeted at both non-domestic smart meter uptake and customer protection in one package.

4.2 The regulatory package consists of:

- A **universal implementation requirement**. Energy suppliers must make all of their new fixed term non-domestic energy contracts conditional on the customer having, or agreeing to have, smart meters installed from the same date (from **1st September 2027**). This ensures a phased transition for customers when their fixed term contract is next renewed after this date.
- A **universal communication requirement**. Ahead of the 1st September 2027 date, all suppliers must start to communicate from 1st January 2027 these upcoming changes to customers. This allows a period (1st January 2027 – 1st September) for the market to prepare for this change and for widespread awareness raising to customers.
- A legally binding **customer code** which suppliers must adhere to from 1st September 2027 to protect customers from the risks of these smart-contingent contracts. The code would contain provisions with respect to supplier fulfilment of customer appointments, ensuring suppliers are transparent and proportionate in their implementation and account for small businesses in financial difficulty.

4.3 The policy package, and how it is intended to drive policy objectives, is visualised in the theory of change diagram below.

Figure 1: Theory of Change for the smart-contingent policy package



4.4 The policy is intended to drive outcomes as follows:

In order for the policy to be effective, it would need to incentivise energy suppliers to drive new smart meter installations:

- The regulation is therefore that non-domestic suppliers must make all new fixed term contracts conditional on the customer having smart meters from the same point in time (1st September 2027). Alongside this, the government has published case studies and a non-domestic consumer guide to rights and expectations to drive further consistency and proportionality in supplier delivery and enforcement of smart-contingent contracts. Combined, this package removes first mover disadvantages with respect to implementing and enforcing smart-contingent contractual terms. It also prevents varied messaging and approaches to enforcement, which may further exacerbate a lack of clarity for both customers and competing energy suppliers (with the latter stalling market progress).
- In addition, it's important for both driving smart meter uptake and customer clarity that suppliers support customers to meet the smart-contingent element of the contract. In particular, we know that small organisations are time-constrained¹⁹ and therefore it may be helpful for the “heavy lifting” with respect to appointment booking to be carried out on their behalf, to mitigate risks of accidental contract breaches. Therefore, as part of the customer protection code, suppliers must take All Reasonable Steps to schedule an installation appointment with the customer within three months of supply starting under the new fixed term contract and to install the smart meter within 12 months. This ensures the onus is on the supplier to book the appointment, whilst the customer retains flexibility for the installation itself to occur any time within a year, in and around seasonal business patterns.

4.5 Once a degree of consistency around the supplier offer has been realised, customers would then need to respond to that supplier offer accordingly by being fully aware of the need to agree to a smart meter when entering a new fixed term energy contract and proceeding to facilitate the installation appointment upon contract inception. We propose the key aspects of the policy driving this intended consumer behaviour are:

- The **requirement on suppliers to regularly raise customer awareness** of this upcoming change sufficiently in advance, from 1st January 2027. Messaging will convey to non-domestic customers that from 1st September 2027, the next time they seek to renew or enter into a new fixed term energy contract they will need to agree to a smart meter under the terms of their contract. This is supported by a toolkit, published alongside the government response, with guidance for suppliers on how to communicate this message consistently and in a way that maximises consumer understanding and acceptance (based upon research with consumers). This leverages organisations incentives to minimise costs, given the price differential between fixed term contracts and alternative types of energy contract.
- The **requirement on suppliers, under the customer protection code, to clearly communicate to customers the consequences of them choosing not to have a smart meter installed after signing a smart-contingent contract.** This leverages organisations motivations to comply with the conditions of their contract (we assume that organisations comply with their contractual duties) and mitigates the risk that unclear messaging from suppliers causes accidental breaches. Depending on the terms of the particular contract (i.e. the consequences the supplier has written into contract of not having a smart meter installed after signing a smart-contingent

¹⁹ [Barriers to Energy Efficiency FINAL DRAFT](#)

contract), it may also financially incentivise organisations to proceed with the installation.

- In addition, we do not anticipate, or intend, for the policy package to have any impact on non-domestic switching behaviour itself (which will be influenced by a range of complex factors). We do expect that any customer that currently chooses to renew their fixed term energy contract at given intervals (as opposed to entering a new deemed contract or rolling over onto an out of contract rate) will continue to do so. This is because non-domestic fixed term contract rates are on average around 40% lower than out of contract or deemed rates.²⁰ In addition, 2021 research suggests that the primary reasons why non-domestic customers reject smart meters or say they are unlikely to accept one are due to limited motivation to engage (i.e. feeling it was not a priority and/or perceptions of hassle²¹).²² This suggests that non-domestic customers are not motivated by ideological refusal. Overall, it can be inferred that it's very unlikely that smaller organisations that would have chosen to renew a fixed term contract now choose not to, purely to avoid having a smart meter because the benefits of having a smart meter (i.e. retaining access to a deal which is on average 40% cheaper) now outweigh the perceived hassle or ease of lack of action).

- 4.6 Assuming that a consistent supplier offer is met with the intended consumer response it's key that customers are also protected in that transition. For instance, that customers are given ample opportunity to meet their contractual duties by the smart meter installation appointment booking process being as smooth as possible, by them fully understanding what is expected of them and when, and by ensuring that suppliers are not unreasonable or disproportionate in the way that they implement their smart-contingent contracts. Therefore, suppliers must also, under licence conditions, abide by a binding customer protection code with respect to new smart-contingent contracts from 1st September 2027. This code will be introduced as a new schedule to the Retail Energy Code. It covers areas relating to arranging appointments, transparency requirements (including a requirement to raise Third Party Intermediary awareness of smart-contingent contract terms/conditions) and ensuring proportionate implementation (including ensuring customers are not unduly penalised for factors outside of their control and paying particular attention to the needs of three higher risk groups: smaller organisations in financial difficulty, domestic residents at non-domestic premises and critical national infrastructure sites).
- 4.7 Alongside this, the policy is intended to drive commercial landlord/tenant cooperation with respect to smart metering. Alongside the government response, the Department for Energy Security and Net Zero has published a policy statement stating that the Department considers that, in the context of commercial tenants seeking the installation of a smart meter to meet their contractual commitments with their energy supplier (and access the cheaper rates of energy associated with fixed term energy contracts), a commercial landlord who refuses a request from a tenant under a commercial lease to install a smart meter would likely be acting unreasonably. The Government has also published boilerplate communications that commercial landlords and tenants can copy and send to one another to seek/grant agreement to install smart meters, cross-referring to this DESNZ policy statement.
- 4.8 Finally, in delivering this core package it is important that any peaks in workload (i.e. in delivering new smart meter installations resulting from the policy and contract renewals)

²⁰ Based on comparison of out of contract rates against quotes for fixed term contracts based on comparison of publicly available supplier rates on websites.

²¹ Amongst non-domestic consumers who said they had been offered a smart meter but decided not to have one installed, half (50%) mentioned reasons relating to hassle, and four-in-ten (42%) said that they felt it was not a priority.

²² DESNZ (2021) Research into post 2020 smart meter policy ideas: non-domestic research. This multi-stage programme of research explored and tested ideas to support non-domestic uptake of smart meters. These findings are drawn from stage three of the project, which comprised an online quota survey of 800 respondents conducted in April 2022, weighted to be nationally representative. Available at [Non-domestic smart meter consumer segmentation - GOV.UK](https://www.gov.uk/government/research-data/non-domestic-smart-meter-consumer-segmentation)

can be managed by suppliers in addition to their other strategic objectives, including maintaining a positive non-domestic customer experience of smart metering in light of the 4G transition. Therefore, utilising *existing* obligations, suppliers will need to provide the Government with regular information on their capacity and resource plans, which Government will use to drive best practice. The absence of a specific new regulatory obligation here allows suppliers to manage the non-domestic nuances of their 4G transitions, particularly their upgrade of around 1.2 million advanced meters in addition to SMETS replacements and Communication Hub exchanges.

- 4.9 For completeness, and as visualised in the theory of change (Figure 1), suppliers will also need to meet other policy obligations (such as recently announced measures to strengthen the smart metering Operational Licence Condition). The rationale for this intervention was explored in a separate impact assessment (as this policy covers both domestic and non-domestic meters, with domestic meters making up the vast majority of meters within scope).²³ When including these obligations, our analysis which includes that suppliers must take all reasonable steps to schedule an installation appointment within 3 months and install the smart meter within 12 months for all consumers, shows that the final smart-contingent policy will not cause unmanageable peaks in installer workload. Additionally, any increases in installer capacity should be deliverable within the timeframes available both at a market-wide and supplier level.
- 4.10 The government response also clarifies interactions with other types of non-domestic energy contracts and how these could interact with the intended supplier or customer behaviours, for example:
- Whilst in the majority of cases the energy supplier's contract will be with the non-domestic customer directly, there may be cases where an organisation buys their energy from, or has a contractual relationship with, an intermediary (such as under framework agreements). In these instances, energy suppliers will be required to take All Reasonable Steps to include provisions in their new contracts with these intermediaries to require that the intermediary makes their new fixed term energy contracts with the customer (i.e. frameworks) smart-contingent from the same point in time (1st September 2027). This is to drive a level playing field (including across the public sector) both in terms of customer expectations, and protections, with respect to smart metering and to incentivise suppliers to drive similar outcomes through their intermediary agreements.
 - In addition, the largest Industrial & Commercial sites outside of the scope of the smart meter rollout²⁴ have been confirmed as out of scope of the smart-contingent policy package. This is because following further review and consideration of consultation responses, we have not identified a parallel growth in use of smart-contingent contracts at this end of the market to date, or parallel consumer protection risks. The government will continue to monitor policy scope, including as it considers options for the definition of designated premises in supplier licence conditions post-Market-Wide Half-Hourly Settlement.
 - The consultation also did not identify a case for regulation at this stage regarding other specialist forms of energy contracts available in the non-domestic market such as evergreens.²⁵ However, one respondent suggested monitoring non-fixed term arrangements going forward, to ensure these contracts are not used to circumvent smart-contingent obligations. We agree with this assessment and intend to include this within our future monitoring.

²³ [Smart metering policy framework post 2025 - GOV.UK](#)

²⁴ There are around 300k-400k electricity and gas meters within large Industrial & Commercial sites that fall outside of the smart meter rollout (defined as sites with electricity meters in Profile Classes 5-8 and gas consumption above 732 MWh per annum). Ofgem oversaw the rollout of advanced meters to these sites prior to the smart meter rollout.

²⁵ Contracts which continue indefinitely until terminated and which have no fixed end date.

5. Consideration of long-list and alternatives

- 5.1 In line with HM Treasury Green Book guidance, the longlist of options was identified through understanding the barriers to achieving the outcomes described above, ongoing stakeholder engagement and by drawing on the best available evidence of the smart meter rollout to date.
- 5.2 These early-stage options varied both in levels of regulatory intervention, prescription and in the extent to which they departed from previous policy approaches taken to driving the rollout of smart and advanced metering.
- 5.3 Each potential policy option was assessed against each of the SMART objectives noted in the preceding section. Options were rated as either:
 - “Unacceptable” for meeting a particular objective (i.e. does not meet the objective with supporting rationale)
 - “Acceptable” (i.e. meets the objective with rationale) or;
 - “Preferred” (which means this is the preferred option for meeting that particular objective, with supporting rationale).
- 5.4 Where any individual option was ranked as “unacceptable” against any of the SMART objectives, it was discounted and therefore not progressed to the short list. Reasons for discounting included:
 - Some options leveraged existing market mechanisms and solutions to drive additional consumer demand, and offered suppliers maximum flexibility to balance their objectives, but failed to drive high levels of smart meter uptake, protect consumers from the risks of smart-contingent contracts or provide industry the regulatory certainty they need to invest.
 - Some options either protected consumers from the risks of smart-contingent contracts and offered industry flexibility but failed to deliver a market-wide rollout, or delivered a market-wide rollout with flexibility but failed to protect consumers.
 - Some options were deemed infeasible as they did not provide suppliers with the certainty they need to invest or failed to meet a number of objectives.
- 5.5 Despite a range of options being considered, only one policy package met all the SMART objectives and was therefore carried through to the shortlist.
- 5.6 The final (short-listed) policy package was developed following a thorough consultation process which was conducted in line with Government consultation principles guidance.²⁶ This included a 12-week public consultation (between October 2025 and January 2026), followed by targeted stakeholder engagement with a sample of stakeholders, selected to give fair and proportionate scope for input from industry and consumer groups. Overall, the consultation process was devised in a way to ensure that stakeholders had the opportunity to provide views on the overarching policy approach and to address points for clarification.

²⁶ [Consultation principles: guidance - GOV.UK](https://www.gov.uk/government/consultations/consultation-principles-guidance)

6. Description of shortlisted policy options carried forward

- 6.1 One policy option was rated as acceptable/preferred for all the SMART objectives. This was the **Regulatory- non-domestic smart-contingent contracts package** (a representation of how the policy meets the SMART objectives can be seen in the theory of change included in Section 4).
- 6.2 This was the **sole** option to meet all SMART objectives due to others being discounted for the reasons outlined in Section 5.
- 6.3 The other policy option progressed to the short list is the “**do nothing**” option, which is that the only supplier licence condition driving new non-domestic installations is the New and Replacement Obligation (NRO), which requires energy suppliers to take all reasonable steps to install a smart meter wherever a meter is replaced or installed for the first time. In addition to meeting the NRO, energy suppliers would be left to implement smart-contingent contracts, if they wish to, by themselves with no intervention. Both “do nothing” counterfactual scenarios do not meet the SMART objectives, e.g. they do not deliver the high levels of smart meter uptake needed for the Clean Power Mission or protect smaller consumers from the risks of smart-contingent contracts (more information is set out in Section 2).
- 6.4 The “**regulatory - non-domestic smart-contingent contracts package**” has therefore been appraised against the “**do nothing**” option. The “do nothing” option has been appraised as two counterfactual scenarios reflecting uncertainty over the extent to which suppliers would introduce and enforce smart-contingent contracts if the market is left by itself without regulation:
 - **Scenario 1.** The only regulatory driver of new smart meter installations is the New and Replacement Obligation. The absence of regulatory incentives to accelerate the rollout of non-domestic smart meters sees progress stall due to suppliers plateauing or rolling back on the implementation of smart-contingent contracts because they fear ‘going first’ with respect to enforcement.
 - **Scenario 2.** The only regulatory driver of new smart meter installations is the New and Replacement Obligation. Some (but not all) non-domestic suppliers implement smart-contingent contracts voluntarily with poor outcomes for customers.

7. Cost benefit and bills analysis

Analytical Approach

- 7.1 The overall approach and scope of costs and benefits covered in this analysis is based upon the approach taken to the Programme’s 2019 cost-benefit analysis.²⁷ The full range of quantified costs and benefits impacted by the non-domestic smart-contingent contracts policy package can be seen below in Table 1. Modelled estimates for each of these cost and benefit areas were calculated using updated assumptions (where relevant) based on a range of evidence, including regular data collection from energy suppliers which informs the quarterly Official Statistics report,²⁸ analysis carried out by the programme, and

²⁷ Published cost-benefit analysis: [Smart meter roll-out: cost-benefit analysis 2019 - GOV.UK](#)

²⁸ [Smart meters in Great Britain, quarterly update March 2025 - GOV.UK](#)

commissioned research. The model assumptions represent a robust understanding of both the fixed costs of delivering the smart meter rollout and the incremental costs and benefits that are accrued once each smart meter is installed (whilst also differentiating between the costs and benefits accrued to domestic and non-domestic premises). Further detail on each assumption can be found within the published 2019 cost-benefit analysis.

Table 1: Monetised Costs and Benefits of the Smart Meter Rollout (impacted by the non-domestic policy package)

Costs	Benefits
• Asset costs: This includes the cost of smart metering equipment such as the meter and the Communications Hub. • Installation costs: This is the cost of installing smart meters which includes the costs of training installers, providing tools, managing installers in the field, appointment setting, insurance, legal, van and other back-office support costs. • Operation and maintenance costs: Consistent with the 2019 the analysis assumed an annual operations and maintenance cost for smart meters of 2.5% of the meter purchase cost. • Costs incurred by energy suppliers and the wider industry (capex and opex) • Pavement reading inefficiency: As more traditional meters are replaced with smart meters, the geographical density of the remaining traditional meters decreases. It is therefore more time consuming and more expensive to read these traditional meters. In this analysis installing additional smart meters compared to the counterfactual creates a cost saving by reducing the pavement reading inefficiency. • Energy costs of smart metering: Energy consumption of smart meter equipment	• Energy savings for consumers: Non-domestic consumers with smart meters are assumed to use less energy than traditional metered non-domestic consumers.²⁹ These savings are then multiplied by long-run variable costs of energy projections in line with Green Book guidance. • Avoided site visits: Energy suppliers avoid costs from not having to send meter readers to obtain a meter reading. • Reduced customer service enquiries: There are reduced costs to energy suppliers from handling customer contacts about billing since smart meters send automatic readings. • Improved debt handling: Smart metering helps to avoid/reduce the impact of debt – both on the consumer and the energy supplier by (1) More frequent billing, (2) Earlier identification of debt and faster follow-up action, and (3) reduced bad debt charges and final debt write-off. • Customer switching benefits: Smart meters enable customer switching benefits as automated readings can be remotely requested without needing a meter reader to visit properties and additionally the switching process is streamlined through the DCC. • Change of tariff benefits: For traditional meters, in order to switch a consumer from a single rate tariff to a multiple rate tariff (e.g. standard to Economy 7) or vice versa, a visit is required to adjust/change the meter. For smart meters, this visit will no longer be

²⁹ [Advanced metering for SMEs | The Carbon Trust](#)

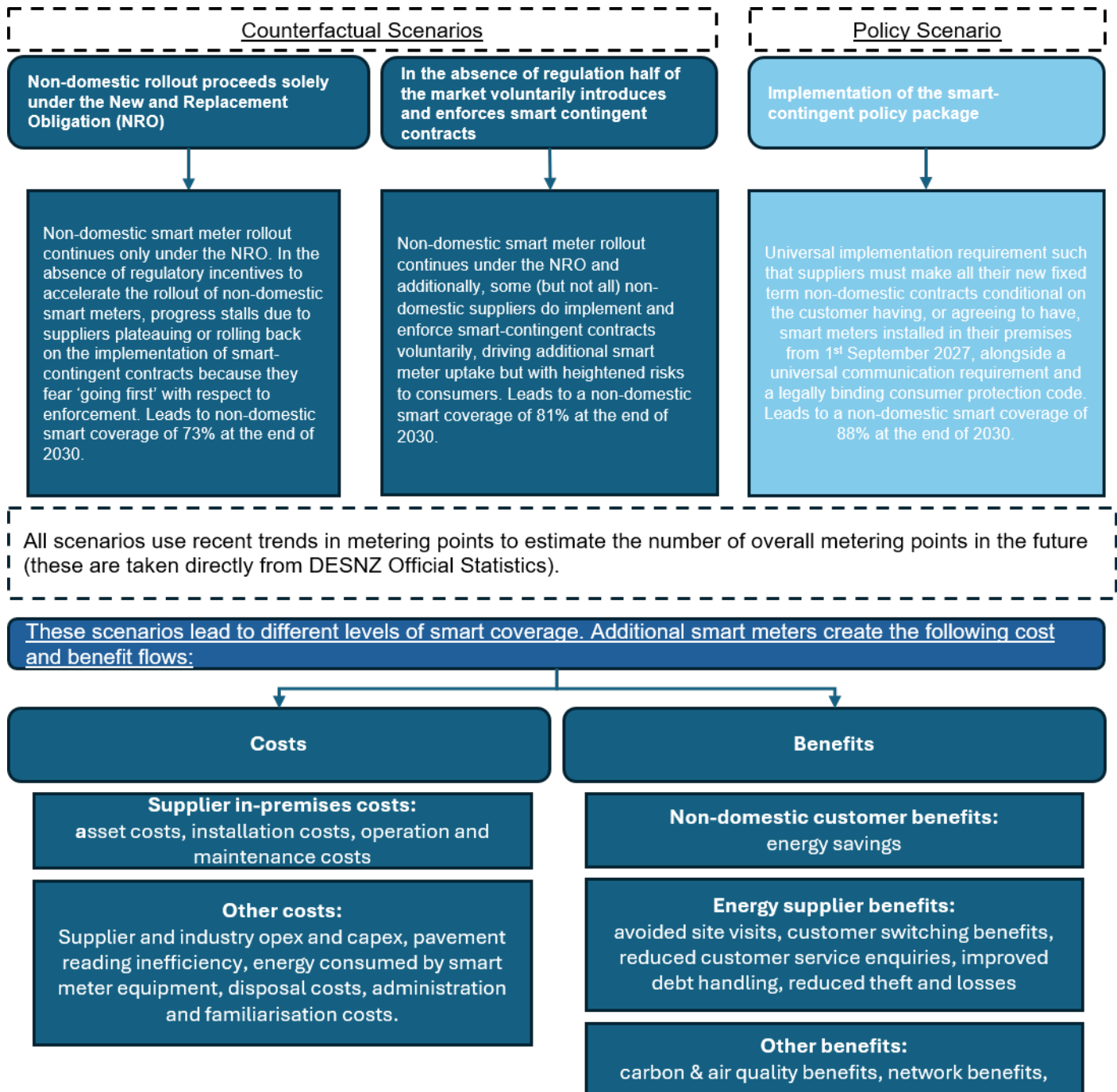
generates (traded) carbon emissions. These are accounted for and are deducted from carbon emission benefits generated by smart metering that occur through reduced energy consumptions. This uses data on energy consumed by equipment and multiplies it by the latest marginal emissions factors set out in HM Treasury Green Book supplementary guidance. • Disposal costs: These costs account for the cost of disposing of traditional meters that are replaced. • Administration and familiarisation costs: Administration costs are defined as the costs incurred by industry in order to demonstrate their compliance or ongoing eligibility with any regulation. Familiarisation costs are the costs associated with reading and understanding new or amended regulatory requirements and guidance.	needed, as this action can be carried out remotely. This benefit area captures the avoided costs from energy suppliers not having to carry out that visit. • Benefits to the electricity networks: Electricity network operators benefit from smart meters by (1) smart meters provide detailed information across their network aiding with decisions around network reinforcement and reducing the cost to serve new connections and (2) smart meters enable a range of operational improvements due to their ability to respond to service requests to give additional information about outages and faults. • Reduced theft and losses: Smart metering has improved energy suppliers' ability to detect theft due to more granular consumption data. This enables quicker and better targeted activity that lowers overall theft levels. Benefits due to reduced losses are included as a reduction in the total amount of electricity being transported directly equates to lower losses alongside better data allowing improved management. • Carbon and air quality benefits: A reduction in the amount of energy being used by consumers has a direct reduction in carbon emissions and an improvement in air quality.
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7.2 The drivers of quantified costs and benefits are determined by how much the package of measures set out in this impact assessment alter additional smart rollout relative to the counterfactual scenarios. For each scenario, the number of smart and advanced meters on the wall in each year is determined by multiplying the assumed volume of gas and electricity metering points (forecast over the appraisal period using a linear extrapolation of published historical data) by the modelled percentage smart coverage in that scenario. These modelled volumes of smart and advanced meters operating in each year of the appraisal period are shown in Table 2 below, and modelled volumes of traditional meters are shown in Table 3. All costs and benefits are then calculated by applying a cost or benefit per meter and summing over all installed smart and advanced meters. The additional impact of the policy package is calculated by subtracting the costs and benefits that would have occurred in the counterfactual version of the world from the assessed costs and benefits under the policy scenario. The policy package is appraised against two counterfactual scenarios, which are discussed in more detail below.

7.3 Figure 2 lays out the modelling approach to appraising the smart-contingent contract policy package and describes how progression of the rollout under each scenario produces the

associated cost and benefits. More detail on each of the cost and benefit categories included in Figure 2 can be found in Table 1 above, and a breakdown of monetised values for each can be found in Table 5 below.

Figure 2: Diagram of the Cost-Benefit Analysis modelling approach



Counterfactual

- 7.4 The cost-benefit analysis compares the preferred option against two potential status quo counterfactual scenarios (as described in Section 2) reflecting uncertainty over the extent to which suppliers would introduce and enforce smart contingent contracts in the absence of policy intervention. Both counterfactuals take account of broader plans to increase electrification of non-domestic energy use and reduce gas use, whereby energy saving assumptions reflect projected increases in electricity use per meter. Both counterfactuals also represent a world where there are no additional regulatory changes now the 2022-2025 Targets Framework has concluded.
- 7.5 However, as detailed in Section 2, our scoping and market engagement suggests that the current status quo with respect to smart-contingent contracts is varied. Some suppliers have begun to implement a smart-contingent element within their contract terms and conditions, broadly writing two types of consequences into their contracts for breaches (reserving the right to terminate fixed term contracts/move customers onto deemed/out of contract rates or pass down any losses incurred resulting from contract breaches within contract). On the other hand, some suppliers are not offering smart-contingent contracts to their customers.
- 7.6 There is therefore currently partial use and enforcement of smart contingent contracts across the market. The current level of installations suggests that the status quo with respect to smart contingent contracts covers roughly 30% of the market.³⁰ Given the lack of transparency/certainty around suppliers' plans and implementation in this area we have used the 50% scenario as a cautious upper bound that allows for some increase in both the use and enforcement of smart contingent contracts. The NRO only counterfactual on the other hand reflects a scenario where market led implementation stalls/reverses as suppliers do not risk first mover disadvantages with respect to enforcement. This scenario sees a much lower level of smart meter installations. Given the uncertainty of how suppliers will proceed in this space without government intervention two counterfactuals have been used to assess the impacts of the policy package. These counterfactuals lead to a range in the anticipated NPV of the policy package, and are detailed below:
- **Counterfactual Scenario 1: Non-domestic smart meter rollout continues but only under the NRO.** The only obligation that currently applies to energy suppliers in installing non-domestic smart meters is the NRO. This requires that energy suppliers must (subject to all reasonable steps) install smart meters in all new metering points and where meters require replacement, for example at the end of their asset life. In this scenario, the absence of regulatory incentives to accelerate the rollout of non-domestic smart meters sees progress stall due to suppliers plateauing or rolling back on the implementation of smart-contingent contracts because they fear 'going first' with respect to enforcement. As a result, smart coverage at the end of 2030 would be lower than that achieved by this policy package. The rollout profile as driven by the NRO was run through the smart metering cost-benefit analysis model to determine costs and benefits in this counterfactual scenario.
 - **Counterfactual Scenario 2: Non-domestic smart meter rollout continues under the NRO and in addition, some (but not all) non-domestic suppliers implement and enforce smart-contingent contracts voluntarily.** This progresses the smart rollout further than in Scenario 1, where the NRO is the only driver of rollout to non-domestic customers, but without government intervention, not every supplier can be assumed to take this route. For the purposes of this modelling, it has been assumed that up to 50% of non-domestic suppliers decide to implement and enforce smart-contingent contracts without government regulation.

³⁰ If all current installations were the result of smart contingent contracts being offered to customers who reach the end of their existing contract.

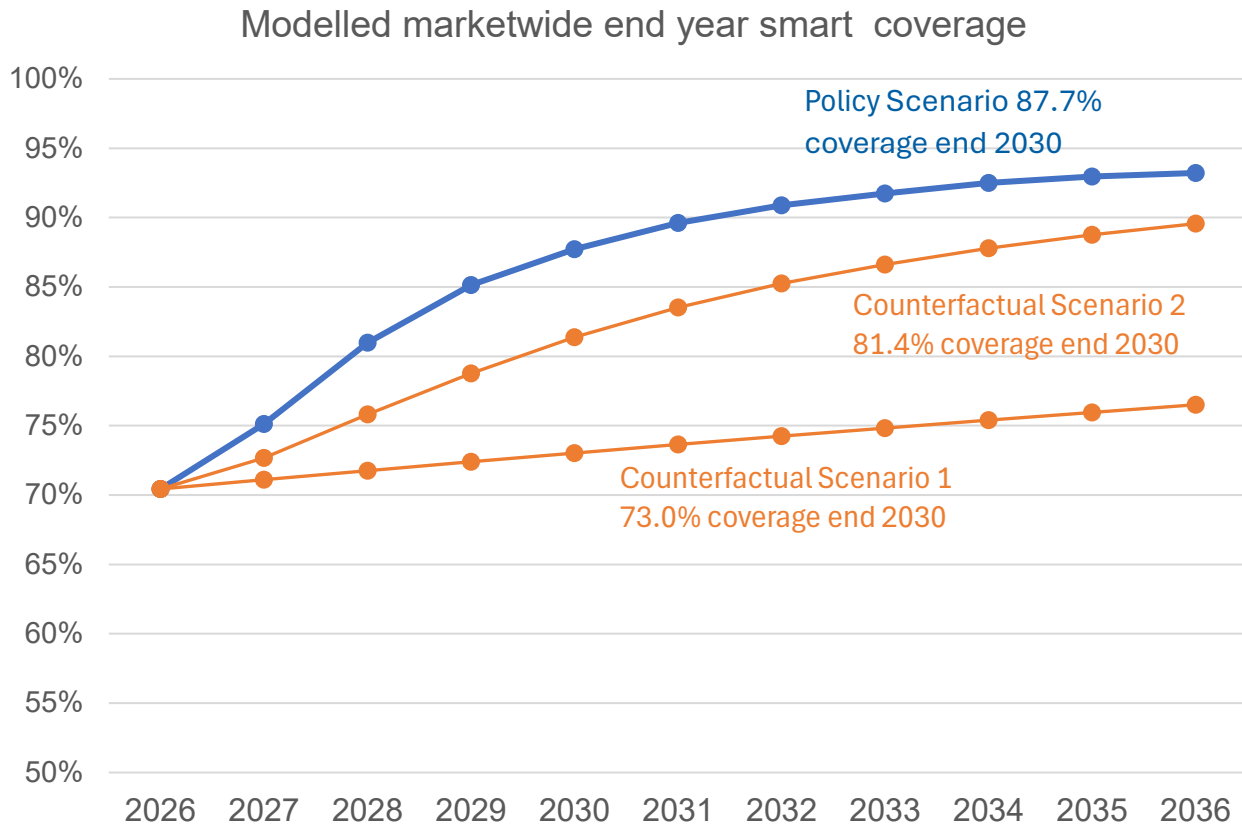
- 7.7 Nevertheless, we propose that both counterfactual scenarios 1 & 2 share similar and overlapping risks which require mitigation through regulation. In fact, the need for regulation is magnified by the lack of certainty with respect to the counterfactual given that some risks (e.g. to smart meter uptake and customers) are higher across the two counterfactuals. Given this uncertainty, the policy has been appraised against the two counterfactual scenarios.

Counterfactuals and Policy Scenario - Smart Coverage

- 7.8 As a starting point, the analysis uses non-domestic smart coverage at the end of 2025 from official statistics.³¹ A common trajectory to the end of 2026 in all scenarios is then estimated using administrative data for Q1 2026 (ElectraLink and DCC) and observed 2025 activity. This results in an estimated overall non-domestic smart coverage of 70% at the end of 2026.
- 7.9 In counterfactual scenario 1, as above, the smart rollout will progress in line with the NRO, where suppliers would only be required to take all reasonable steps to install a smart meter when a traditional meter reaches the end of its asset life and requires replacement. We project installations under the NRO using data provided by energy suppliers on the number of meters that are replaced at the end of their asset life.
- 7.10 In the policy scenario and counterfactual scenario 2, the smart meter rollout accelerates at a faster pace than solely under the NRO due to supplier implementation and enforcement of smart-contingent contracts, to differing extents. Modelling differs between the policy scenario and counterfactual scenario 2 in the proportion of meters which we assume are operated by suppliers who have implemented smart-contingent contracts. To model the impact of smart-contingent contracts the following steps were taken:
- a. Remaining traditional meters were separated into different cohorts based on how often (and whether) they are likely to switch energy contract, with the size of these cohorts based on Ofgem survey data.³²
 - b. Each year a proportion of each of these cohorts switch contracts based on their switching behaviour (e.g. half of the cohort on 2-year contracts are assumed to switch each year). This is also adjusted to account for lagged installations that may occur in the following year due to the switching occurring late in the calendar year.
 - c. For those meters that do not switch these are replaced as they reach end-of-life in line with the approach to modelling the NRO.
- 7.11 The difference in smart coverage achieved by the policy and both counterfactual scenarios, as a result of the modelling described above, can be seen below in Figure 3. The policy scenario results in a higher level of smart coverage than what we would expect to see in either considered counterfactual, where this package of measures is not introduced.

³¹ [Smart meters in Great Britain, quarterly update December 2025 - GOV.UK](#)

³² [Non-domestic Research Report - 2024](#)

Figure 3: Range of Non-Domestic End of Year Smart Coverage (%) (2026-2036)

- 7.12 Resulting modelled volumes of smart and advanced meters are shown in Table 2. Modelled volumes of traditional meters operating in each year are shown in Table 3. Total energy savings, calculated by multiplying the number of smart meters in each scenario by average energy consumption per meter and then by assumed percentage energy savings, are shown in Table 4. Costs and benefits flow from these figures by applying the £/meter values described in Table 1 and for energy saving benefits, applying £/kWh energy prices to the savings in Table 4 – and summing across the appraisal period, then converting into 2026 prices and discounting to 2026, following Green Book guidance. The NPV for the policy package represents the difference between net benefits for this scenario compared to each of the two counterfactuals.

Table 2: Modelled number of smart and advanced meters operating in each year (to nearest 10k)

		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Policy Scenario	Electricity	1,840,000	1,980,000	2,080,000	2,140,000	2,180,000	2,210,000	2,230,000	2,240,000	2,250,000	2,250,000
	Gas	590,000	630,000	660,000	680,000	680,000	690,000	690,000	690,000	690,000	690,000
Counterfactual Scenario 1	Electricity	1,740,000	1,750,000	1,770,000	1,780,000	1,790,000	1,800,000	1,820,000	1,830,000	1,840,000	1,850,000
	Gas	560,000	560,000	560,000	560,000	560,000	560,000	560,000	560,000	560,000	560,000
Counterfactual Scenario 2	Electricity	1,780,000	1,850,000	1,920,000	1,980,000	2,030,000	2,070,000	2,100,000	2,130,000	2,150,000	2,160,000
	Gas	570,000	590,000	610,000	630,000	640,000	650,000	650,000	660,000	660,000	660,000

Table 3: Modelled number of traditional meters operating in each year (to nearest 10k)

		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Policy Scenario	Electricity	610,000	460,000	360,000	300,000	250,000	220,000	200,000	180,000	170,000	160,000
	Gas	200,000	150,000	120,000	90,000	80,000	70,000	60,000	60,000	50,000	50,000
Counterfactual Scenario 1	Electricity	710,000	690,000	670,000	660,000	640,000	630,000	610,000	600,000	580,000	570,000
	Gas	230,000	220,000	210,000	210,000	200,000	200,000	190,000	180,000	180,000	170,000
Counterfactual Scenario 2	Electricity	670,000	590,000	520,000	450,000	400,000	360,000	320,000	300,000	270,000	250,000
	Gas	215,000	190,000	160,000	140,000	130,000	110,000	100,000	90,000	80,000	80,000

Table 4: Total modelled energy consumption savings attributable to programme implementation (GWh, to nearest 10)

		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Policy Scenario	Electricity	250	290	340	360	370	380	390	390	400	410	420
	Gas	740	840	940	1,000	1,050	1,070	1,090	1,080	1,100	1,150	1,180
Counterfactual Scenario 1	Electricity	250	260	260	260	260	250	250	250	250	270	280
	Gas	740	760	750	750	750	740	750	730	740	790	820
Counterfactual Scenario 2	Electricity	250	280	20	310	320	330	340	350	360	370	390
	Gas	740	790	840	870	920	950	980	970	1,000	1,060	1,100

Approach to Appraisal

- 7.13 The appraisal of this package of policy measures spans the 10-year period from 2027 to 2036. This is line with the standard recommended appraisal period in the Green Book. The Green Book standard social discount rate of 3.5% has been applied to all costs and benefits within this analysis.³³
- 7.14 The appraisal has been conducted using the Smart Metering Implementation Programme's (SMIP) Cost Benefit Analysis model which was also used as the basis for annual Costs and Benefits Report to Parliament.³⁴ This appraisal also builds on modelling published in the recent final impact assessment for the domestic Post 2025 smart metering policy framework.³⁵

Net Present Social Value (NPV)

- 7.15 **Overall, this package of measures generates a NPV of between £135m (counterfactual scenario 2 - lower bound conservative estimate) and £384m (counterfactual scenario 1).** These figures are discounted to 2026 and are in 2026 prices. The NPV range accounts for the uncertainty in how the market would approach smart-contingent contracts without government intervention and thus incorporates the NPV of the policy proposal relative to both counterfactual scenarios considered in this analysis.
- 7.16 The key driver of the NPV is the costs and benefits delivered by an increased rate of new installations under the smart contingent policy proposal. This proposal delivers a greater level of smart coverage compared to that which would be delivered under both counterfactuals presented in this analysis, where the smart rollout continues solely under NRO and any independent market implementation of smart contingent contracts.

Costs and Benefits

- 7.17 The full breakdown of monetised costs and benefits can be seen below. Table 5 shows the cost and benefit breakdown for the policy option appraised against both modelled counterfactual scenarios, where the smart coverage achieved under the policy proposal remains the same, but the smart coverage achieved in the counterfactual depends on whether it is assumed that the market begins to independently implement and enforce smart contingent contracts in the absence of Government intervention.

³³ [The Green Book \(2022\) - GOV.UK](#)

³⁴ [Smart Metering Implementation Programme - Cost-Benefit Analysis 2019](#)

³⁵ [Smart metering policy framework post 2025: impact assessment](#)

Table 5: Full Breakdown of Costs and Benefits (£m) - Discounted to 2026 and in 2026 Prices (numbers rounded to the nearest £m).

	Counterfactual scenario 2 (lower bound, conservative): Some (but not all) non-domestic suppliers implement and enforce smart-contingent contracts voluntarily	Counterfactual scenario 1: Market progress with respect to smart-contingent contracts stalls and rollout proceeds solely under the NRO.
<i>Non-domestic consumer energy savings</i>	78	216
<i>Energy supplier benefits</i>	23	65
Avoided Meter Reading & Inspection Visits	9	24
Reduction in customer service and inbound enquiries	4	11
Customer switching benefits	2	6
Change of tariff benefits	1	1
Reduction in theft and losses	1	3
Debt handling	7	20
<i>Other benefits</i>	70	192
Carbon & Air Quality benefits	69	190
Network benefits	1	2
Total Benefits (£m)	171	473
<i>In-premises costs</i>	35	79
Asset costs	14	30
Installation costs	18	42
Operation and maintenance costs	3	8
<i>Other costs</i>	1	9
Supplier and Industry Opex	7	19
Supplier and Industry Capex	0	1
Pavement reading inefficiency ³⁶	-7	-13
Energy consumed by smart meter equipment	1	2
Administration and familiarisation costs	0	0
Total Costs (£m)	36	89
<u>Total NPV (£m)</u>	<u>135</u>	<u>384</u>

7.18 In both scenarios, the key drivers of costs are those associated with metering equipment and the installation of additional smart meters. The installation and asset costs in Table 5 both incorporate a 11% optimism bias applied to costs incurred by SMETS meters, to

³⁶Pavement reading inefficiency: As more traditional meters are replaced with smart meters, the geographical density of the remaining traditional meters decreases. It is therefore more time consuming and more expensive to read these traditional meters. However, this is a negative cost for this policy package (e.g. a cost saving). This is because the peak of this inefficiency occurs when there are near equal numbers of traditional and smart meters. Beyond this point, any policies that increase the rate of smart meter rollout leads to a cost saving for suppliers as fewer inefficient activities relating to traditional metering need to take place.

account for uncertainty around the number and cost of additional smart meters not in smart mode activity that would be generated under additional non-domestic installs as a result of the policy proposal. Full detail on the approach to calculating this level of optimism bias can be found in Section 9, which covers risks and uncertainties. There are reasons to believe this optimism bias uplift is an overestimate of the actual costs that will be observed.

- 7.19 As shown in Table 5, smart coverage in both scenarios for this analysis delivers significant benefits to both consumers and suppliers. The primary benefit to non-domestic consumers consists of energy usage reductions driven by changes in consumers' energy consumption behaviour as a result of using a smart meter. Energy savings to non-domestic consumers equate to between £78m and £216m, accounting for just under half of the total benefits delivered through this package of measures in either scenario.
- 7.20 Beyond these additional benefits to consumers, there are also benefits to suppliers. The analysis suggests supplier benefits in the region of £23m and £65m depending on the level of smart coverage achieved by these measures.
- 7.21 In addition to this, the increased smart meter coverage generates environmental benefits in the form of carbon and air quality benefits, which amount to £69m-£190m. These benefits are accrued due to reduced non-domestic energy consumption, which reduces the volume of carbon emissions generated by the sector. These benefits contribute to the UK's commitment to achieve net zero carbon emissions by 2050 and the Clean Power 2030 mission.
- 7.22 Benefits to the wider energy system include network benefits. The installation of additional smart meters delivered by the smart contingent policy package provide network benefits of £1m and £2m. Smart meters enable a range of operational improvements due to their ability to respond to service requests to give additional information about outages and faults.

Bill impacts analysis

- 7.23 In addition to a full cost-benefit analysis the Department has also undertaken a bill impacts analysis to understand the impact of this policy package on non-domestic consumer bills. The policy package is expected to generate average annual non-domestic bills savings of £10m to £29m over the appraisal period
- 7.24 The analysis looks at the annual undiscounted time series time of all costs and benefits categories presented in Table 5 (excluding carbon and air quality benefits given they don't impact consumer bills). The analysis assumes that all costs and benefits to suppliers are ultimately passed on to consumer bills given Ofgem's price cap does not apply to the non-domestic sector.
- 7.25 The only methodological adjustment to costs and benefits calculations is converting energy savings from Table 4 (which are in long run variable cost of energy terms) into retail fuel price terms. This differentiation between social value / cost-benefit analysis and bill impacts analysis when it comes to energy savings is in line with the Department's best practice and appraisal guidance.³⁷

³⁷ [Valuation of energy use and greenhouse gas \(GHG\) emissions](#)

8. Non-monetised costs and benefits

8.1 Whilst the Smart Metering Implementation Programme's cost-benefit analysis model covers a wide range of costs and benefits of smart metering, the package of measures also generates the following non-monetised costs and benefits:

- **Enhanced customer protection for non-domestic customers from market driven implementation of smart-contingent contracts (particularly small and micro businesses).** Government regulation to provide a formal obligation on suppliers to implement smart contingent contracts supported by a binding consumer protection code best protects consumers from the risks of market-led implementation of smart-contingent contracts. These risks include those associated with inconsistent supplier application, unfair or disproportionate enforcement action and customer confusion. The binding consumer code will ensure that the consequences of non-domestic consumers not complying with the terms of their smart-contingent contract are clearly communicated to consumers.
- **Reduced supplier engagement costs.** Under the regulatory measures energy suppliers must make all new fixed term non-domestic energy contracts conditional on the customer having, or agreeing to have, smart meters installed. This therefore reduces the amount of engagement suppliers would need to carry out to encourage non-domestic customers to take up smart meters.

9. Risk and Uncertainties

- 9.1 There is some uncertainty around the rate at which future installations may go on to become smart meters not operating in smart mode. This is relevant because by accelerating the rate of new installations, the policy may create some additional smart meters not in smart mode activity for suppliers. To be conservative with this uncertainty (e.g. with respect to the additional activity and metering equipment required to address smart meters not in smart mode), an optimism bias uplift of 11% has been applied to total asset and installation costs associated with SMETS meters within the cost-benefit analysis. This value reflects the proportion of all non-domestic SMETS meters that were not operating in smart mode as of Q1 2026 and has been applied to undiscounted costs in line with Green Book guidance.³⁸ However, there are several reasons to expect that the optimism bias uplift is higher than the costs likely to be incurred, including:
- Previous non-domestic smart meter not operating in smart mode rates are likely not indicative of future smart meter not operating in smart mode rates. Especially given the recent introduction of a requirement for suppliers to take all reasonable steps to ensure smart meters in traditional mode are back working in smart mode for consumers as soon as possible and no later than 90 days from the date energy suppliers are first aware.³⁹ Significant activity is also underway to drive down rates including ongoing Ofgem enforcement activity as well as the introduction of Virtual WAN and best practice guidance for installers. This is in addition to tailored bilaterals and benchmarking with non-domestic suppliers.
 - Current smart meter not in smart mode volumes are also cumulative and therefore do not account for improvements in later installations compared to earlier ones. Published smart

³⁸ [The Green Book – UK government guidance on appraisal](#)

³⁹ [Smart metering policy framework post 2025: government response](#)

metering statistics also suggest the rate of smart meters not operating in smart mode has been falling.

- This assumes all smart meters not in smart mode require new metering equipment, and an installer visit to the property. This is likely to be a significant overestimate as some activity to address smart meters not in smart mode is likely to be conducted remotely without the need for an installer visit or the replacement of existing metering equipment.

9.2 As previously discussed, there is uncertainty in the absence of regulation, about the extent to which non-domestic suppliers will make contracts contingent on the customer having a smart meter as well as the extent to which suppliers enforce these terms. This creates uncertainty in the overall level of smart coverage achieved in the absence of Government intervention. To demonstrate this uncertainty the policy scenario has been modelled against two counterfactuals which allow for examination of this uncertainty (more details on the counterfactuals modelled can be found in Section 7).

9.3 As part of the policy package the Retail Energy Code Company (RECCo) will be responsible for monitoring supplier implementation of the legally binding consumer protection code. All investigations and assessments of supplier compliance with the code (and any enforcement action resulting from that) will be a matter for Ofgem. RECCo will be responsible for undertaking a consultation to determine the exact reporting arrangements for the code, working with DESNZ/Ofgem to ensure this remains complementary to the planned annual policy RFI. The exact reporting requirements are therefore somewhat unknown. Regardless of this, monitoring costs are expected to be minimal (this is based on input and cost estimates from subject matter experts at RECCo). More detail on these costs can be found within Section 12.

10. Small and Micro Business Assessment (SaMBA)

10.1 Supplier data sourced from Fame⁴⁰ indicates that the majority (57%) of the 42 energy suppliers currently in operation in GB which have obligations under the non-domestic smart metering mandate are medium to large businesses, based on the Better Regulation Framework definition of businesses that have more than fifty employees.⁴¹ A full breakdown of suppliers with non-domestic smart meter mandate obligations by different Better Regulation Framework categorisations on employee sizes can be seen below in Table 6.

Table 6: Suppliers with non-domestic smart meter mandate obligations by number of employees and Better Regulation Framework classifications

Business categorisation	Better Regulation Framework definition (number of employees)	Number of non-domestic obligation suppliers	Proportion of total non-domestic obligation suppliers	Contribution to total operating non-domestic smart meters ⁴²

⁴⁰ [Fame - Digital Marketplace](#)

⁴¹ [Better regulation framework guidance 2023](#)

⁴² Percentages rounded to the nearest percentage and do therefore not sum to 100%

Micro	1-9	8	19%	2%
Small	10-49	10	24%	6%
Medium	50-499	14	33%	19%
Large	500+	10	24%	74%

- 10.2 The assessment of supplier data which has fed into this SaMBA is based on matching Fame database information on employee numbers to a list of suppliers with obligations under the smart metering mandate. Where employee data was missing, or supplier names did not immediately match to a business in the Fame database, then additional data was sourced via Companies House.⁴³
- 10.3 The policy obligates all energy suppliers regardless of size to make all new fixed term non-domestic energy contracts conditional on the customer having, or agreeing to have, a smart meter installed (this takes precedent from the previous 2022-2025 Targets Framework, where energy suppliers of all sizes with Qualifying Relevant Designated Premises in a given year were in scope of the obligations). The policy applies to all suppliers to ensure a consistent and coordinated rollout of smart-contingent contracts across the market, including consumer awareness raising and protections. If any suppliers were to be exempt, its underpinning rationale would be undermined (in that suppliers may be deterred from implementing these contracts leading to suboptimal smart meter coverage and benefits and/or continue with varied communication and enforcement). Equally, if the policy only applied to large suppliers, the policy could begin to impact switching choices (in that customers that do not want a smart meter due to hassle may choose to renew a fixed term contract with a small supplier instead without price implications), leading to market distortion and reducing the impact of the policy on customer demand for smart meters.
- 10.4 In addition, not applying the smart-contingent requirements to all non-domestic suppliers leads to a socially sub-optimal level of non-domestic smart coverage that fails to maximise the net benefits delivered by smart metering. This is particularly significant in the non-domestic sector given most of the benefits are incurred by businesses themselves in the form of energy consumption savings. The 2015 Business Energy Efficiency Survey suggests that the private sector accounts for 75% of non-domestic energy consumption.⁴⁴ Given that more than 99% of private businesses in Great Britain are defined as small or micro businesses (i.e. businesses with 0 to 49 employees), evidence suggests that a significant proportion of the £78m - £216m in non-domestic energy consumption savings generated by this policy package will be realised by small and micro businesses.⁴⁵
- 10.5 Costs for small and micro suppliers as a result of the policy will be broadly proportionate to the number of smart meters they install, as the majority of the costs are incurred on a per meter / per installation basis and do not vary with supplier size (e.g. metering assets and Communications Hubs costs). Given that only 7% of the current set of non-domestic smart meters are operated by small and micro suppliers (as in Table 6) compared to 93% by medium and large suppliers, we expect that a small proportion of the £36m-£89m in costs as a result of the policy will fall to these suppliers, and that they will not be disproportionately burdened. Assuming that volume of installations over the coming years remains proportionate to the number of meters currently operated by each supplier, this would suggest costs of £3m-£6m across all small and micro suppliers. Full details of the costs and benefits of this policy proposal can be found in Section 7.

⁴³ [Companies House - GOV.UK](https://www.gov.uk/companies-house)

⁴⁴ [BEES overarching report FINAL.pdf](#)

⁴⁵ [Business population estimates 2024 - GOV.UK](#). Calculated using Table 9 of detailed data tables.

⁴⁶ See NESO (2024) <https://www.neso.energy/document/346791/download>

11. Monitoring and evaluation of preferred option

- 11.1 Direct compliance monitoring and enforcement of these policies are not within the Department's remit. RECCo will be responsible for monitoring suppliers' implementation of the binding consumer protection code. Ofgem will be solely responsible for investigations, and overarching assessments, of suppliers' compliance with the licence conditions and code provisions. However, the Department does have a role in monitoring and evaluating the contribution of these policies to the overall smart meter rollout and the experience of consumers.
- 11.2 SMIP has dedicated monitoring and evaluation resource (the programme's benefits realisation team) and maintains a comprehensive Benefits Realisation and Evaluation Plan (BREP). This includes a range of activities including monitoring; use of third party and administrative data; and primary research and evaluation carried out by the Programme.

Monitoring

- 11.3 We will continue to carry out detailed monitoring of roll-out progress via energy suppliers, including a planned joint annual non-domestic policy energy supplier Request for Information (to be issued alongside Ofgem). Alongside this, we will continue to utilise administrative sources (such as DCC, ElectraLink) and survey data (including from SEGB's bi-annual microbusiness tracker) to provide additional insights.
- 11.4 Adoption of smart-contingent contracts (and the impact of this) will be monitored through existing programme led bi-lateral engagement with suppliers (as part of which data and supporting evidence can be collected). Broader trends in switching behaviour will also be monitored through planned Ofgem survey data collection.
- 11.5 Information collected will include installation progress and information on benefits realisation (for example meters using time of use tariffs and supplier delivery of energy insight tools and platforms). Collectively this will ensure the programme has comprehensive and timely insights into the ongoing delivery of the interventions.

Evaluation

- 11.6 The programme is currently carrying out a large-scale interim evaluation of the smart meter rollout. This includes a programme of a robust quantitative survey and follow-up qualitative research with non-domestic consumers, along with a small number of interviews with non-domestic organisations, focusing on the impact and implementation of the data access and benefits realisation policies (to be concluded by Q3 2026).
- 11.7 This is complemented by research with smart meter installers, which included questions about the potential future trajectory of the current workforce. While the majority of fieldwork associated with this project will be carried out before the introduction of this policy, it will provide valuable baseline data / evidence immediately prior to implementation to inform future evaluation, which will be carried out as part of SMIPs broader monitoring and evaluation work.
- 11.8 We have also undertaken qualitative message testing research to support suppliers in communicating this policy. This research tested how to communicate the requirement to agree to have a smart meter when signing a new fixed-term contract with business owners

and energy decision makers in organisations. Insight from this research has been used to create a toolkit for suppliers on how to communicate the changes. We have published this alongside our government response to the consultation. In addition to supporting implementation of the policy, we anticipate insight from this research will inform our subsequent monitoring of the effectiveness of supplier approaches.

Value for money

- 11.9 The Programme provides annual Costs and Benefits Reporting to Parliament (since 2024) which details the costs and benefits resulting from the rollout of domestic and non-domestic meters completed up to the end of the previous year.

Evaluation governance

- 11.10 Evaluation governance, including oversight of the Benefits Realisation and Evaluation Plan (BREP) is provided by the Programme's Cost and Benefits Review Board. A substantive update of the BREP is planned to follow confirmation of the interventions set out in this impact assessment and this will consider further monitoring and evaluation requirements.

Post Implementation Review

- 11.11 Government will use data from a planned annual energy supplier Request for Information (RFI) in addition to other available data and information sources (for example industry engagement and administrative data), to monitor policy outcomes in the early years of implementation. This will include an assessment of impacts as well as the need for any further intervention. A Post-Implementation Review (PIR) of the smart meter roll-out is scheduled from 2035.

Theory of Change

- 11.12 A theory of change has been included in Section 4 (Figure 1). In addition to this specific theory of change the Programme also maintains comprehensive theory of change maps for the broader smart meter rollout and associated benefits.

12. Minimising administrative and compliance costs for preferred option

- 12.1 Suppliers have previously invested in measures to drive non-domestic customer demand for smart metering in order to meet installation targets including for those who remain unaware of smart meters or are harder to reach, e.g., campaign activity, trialling incentives. This policy package is intended to drive significant non-domestic customer demand for smart metering (see Section 3) and is therefore anticipated to reduce the burden on suppliers to drive demand for smart metering amongst harder to reach non-domestic sites. Whilst this is noted as a non-monetised benefit in Section 8, it is also envisaged to reduce administrative costs.

- 12.2 In line with the Better Regulation Framework, an estimation of the additional administrative and familiarisation costs that will fall to the industry as a result of this policy package have been calculated. A full explanation of the methodology behind these estimates can be seen in Table 1, which can be found in Section 7 of this Impact Assessment. In total, administrative and familiarisation costs are estimated to be approximately £250k to £500k (2026 prices, discounted to 2026).
- 12.3 Administrative costs make up the majority of these costs with familiarisation costs being comparatively small. This is because only a limited number of individuals within each relevant business or industry body are expected to review the new regulations and/or guidance. In total industry will be expected to familiarise themselves with;
- 1) New electricity and gas energy supplier licence conditions,
 - 2) the consumer protection code,
 - 3) A range of guidance documents intended to support policy implementation including; case studies and a non-domestic consumer guide to rights and expectations regarding smart-contingent contracts, a toolkit to help suppliers communicate the policy to maximise consumer awareness and acceptance, and guidance to drive commercial landlords and tenants cooperation to install smart meters.
- 12.4 In addition, these new regulations / policy guidance documents are relatively small and require limited time to read and have been through several simplification exercises in order to reduce their complexity and the resulting burden to industry. For example, based on academic estimates of non-fiction reading speeds we expect it to take the average individual 0.17 hours, 0.15 hours, and 0.07 hours to familiarise themselves with the new license conditions, consumer protection code and guidance documents. With an estimated 230 individuals across the industry needing to undertake this familiarisation activity, the total familiarisation time amounts to approximately 39 hours for licence conditions, 35 hours for consumer protection code, and 16 hours for guidance documents.
- 12.5 The primary administrative burden arising from the policy is expected to be the cost to energy suppliers of complying with the obligations introduced through the Retail Energy Code (REC). These costs have been estimated proportionately using a top-down methodology, informed by the anticipated reporting arrangements and the principal cost drivers identified through engagement with RECCo based on comparable monitoring arrangements
- 12.6 As a result, we estimate that the total administrative and familiarisation costs would likely be in the region of £250k to £500k over the appraisal period (2026 prices, discounted to 2026). With the vast majority of these costs initially being incurred by RECCo. RECCo's costs are recovered from REC Parties via charges and therefore the assumption is that all administrative and familiarisation costs associated with this policy are ultimately borne by suppliers. In reality, we expect that many of the additional responsibilities placed on the RECCo as a result of this policy (including the creation of a Monitoring Body) would be delivered through a change to existing service provider contracts, rather than established as a standalone role. RECCO's future consultation will also seek to minimise costs to suppliers of complying with reporting requirements by scoping opportunities to reuse existing datasets, reporting cycles and governance forums; and applying proportionate, risk-based monitoring.

- 12.7 To account for uncertainty and to be conservative in the level of administrative and familiarisation costs of this policy the upper bound estimate has been used in all analysis within Section 7 of this impact assessment.
- 12.8 To note these administrative costs are relative to a counterfactual in which there is no additional regulation on suppliers to install smart meters beyond the NRO. Under the 2022-2025 Targets Framework all energy suppliers were subject to obligations to undertake activities in relation to targets to meet rollout obligations, such as providing annual data to Ofgem, and are therefore expected to already have some form of rollout plan in place. In addition, it is expected that suppliers would in any case incorporate their obligations into their internal business planning in order to deliver their obligations in a sensible and cost-effective way.

13. Regulatory scorecard for preferred option

All values in the regulatory scorecard are in 2026 prices discounted to 2026

Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		Directional rating
Description of overall expected impact	This policy is expected to have a significant net-positive impact on societal welfare. The benefits associated with increased smart coverage such as reduced non-domestic consumer energy consumption and energy supplier benefits are expected to outweigh smart meter installation costs and other costs generated by the smart-contingent contract policy package.	Positive
Monetised impacts	Positive NPV range: £135m (counterfactual scenario 2- lower bound) to £384m (counterfactual scenario 1) A full breakdown of monetised impacts that drive this range can be found in Table 5. The range represents the uncertainty around the level of smart coverage the smart contingent contract policy will achieve relative to two different counterfactual scenarios. The range accounts for uncertainty in terms of how widespread smart contingent contracts are implemented and enforced by suppliers in the absence of any government intervention. The analysis suggests that the greater the increase in smart coverage relative to the counterfactual the greater the net benefits.	Positive
Non-monetised impacts	Overall non-monetised impacts of the policy are positive. All non-monetised impacts affect businesses, given that this policy applies to the non-domestic sector and so is not expected to impact households.	Positive
Any significant or adverse distributional impacts?	This package of measures is not anticipated to have any significant or adverse distributional impacts.	Neutral
(2) Expected impacts on businesses		
Description of overall business impact	This package of measures drives more smart meter installations relative to the counterfactual scenarios. This generates additional direct costs for suppliers, which can be passed on to businesses through higher bills. The analysis also suggests that suppliers realise significant benefits from smart metering such as avoided meter reading and inspection visits which we also expect to be passed on to consumers. Given that the policy package drives an increase in smart coverage in the non-domestic sector, there are significant benefits for businesses in the form of energy savings from smart metering. These are expected to outweigh any increase in energy bills as a result of additional costs to suppliers.	Positive

Monetised impacts	Positive business NPV range: £57m (counterfactual scenario 2) to £168m (counterfactual scenario 1) Approx net financial cost to business: EANDCB of £2.6m-£5.9m. Pass through costs to businesses in the form of higher energy bills have not been deducted from these figures. Bills analysis suggests the impact on non-domestic consumers (which includes smaller businesses) remains positive after accounting for the pass through of costs.	Positive
Non-monetised impacts	Non-monetised benefits include enhanced customer protection for non-domestic customers (particularly small and micro businesses) from market driven implementation of smart-contingent contracts, through the binding consumer protection code, and reduced engagement costs for suppliers, given that the policy package will encourage non-domestic customers to take up smart meters.	Positive
Any significant or adverse distributional impacts?	This package of measures is not anticipated to have any significant or adverse distributional impacts. The costs and benefits of this policy to energy suppliers will largely scale with the amount of smart metering activity they undertake. More details on this can be found within the SaMBA assessment in Section 10. Whilst the energy savings enabled by smart metering will be larger for non-domestic consumers that use more energy.	Neutral

(3) Expected impacts on households

Description of overall household impact	This policy package applies to the non-domestic sector and is therefore not expected to have any impact on households.	Neutral
Monetised impacts	This policy package applies to the non-domestic sector and is therefore not expected to have any impact on households.	Neutral Based on likely household £NPV
Non-monetised impacts	This policy package applies to the non-domestic sector and is therefore not expected to have any non-monetised impacts on households.	Neutral

Any significant or adverse distributional impacts?	This policy package applies to the non-domestic sector and is therefore not expected to have any significant adverse or distributional impacts on households.	Neutral
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Part B: Impacts on wider Government priorities

Category	Description of impact	Directional rating
Business environment: Does the measure impact on the ease of doing business in the UK?	Beyond impacts to individual businesses in the form of reduced energy consumption, it isn't anticipated that this policy package will have any broader impact on the UK business environment.	Neutral
International Considerations: Does the measure support international trade and investment?	The policy is expected to have a neutral (neither positive or negative) impact on international trade and investment.	Neutral
Natural capital and Decarbonisation: Does the measure support commitments to improve the environment and decarbonise?	This policy will help facilitate the UK's progress towards achieving its 2050 Net Zero Target and Clean Power by 2030 ambition. The overall NPV for this package of measures contains significant monetised carbon reduction and clean air benefits.	Supports

14. Growth Impacts

14.1 This policy package is expected to have a positive overall impact on economic growth by stimulating capital investment, creating jobs, fostering innovation, improving energy efficiency, and strengthening energy security. By introducing a universal awareness raising requirement from 1st January 2027, and a universal implementation requirement from 1st September 2027 on energy suppliers to make all their new fixed term non-domestic energy contracts contingent on the customer agreeing to have smart or advanced meters installed alongside a binding consumer protection code, the policy aims to:

- ensure a continuing, fair transition to smart metering, helping smaller non-domestic organisations leverage the benefits of smart meters to drive growth; and
- minimise risks of a market led transition to smart contingent contracts without regulation. The risks of a market-led approach *without* regulation include customer confusion over what is required of them; and piecemeal implementation and enforcement of contractual

requirements by suppliers – either through prohibitive penalties/charges or alternatively, through a lack of action i.e. due to fear of commercial disadvantage from acting on the enforcement of contracts when their competitors are not.

- 14.2 The smart meter installations resulting from this policy package will support the Clean Power 2030 mission, with the National Energy System Operator's (NESO) recent report recognising that smart meters are a key enabler of demand side flexibility.⁴⁶ This policy package is anticipated to deliver non-domestic smart coverage of 88% by the end of 2030 which is in the NESO range of 86%-90% that is required to unlock the full value of demand side flexibility. This policy package will unlock capital investment of £14m - £31m. This policy package will also encourage industry to invest in and retain the non-domestic installer workforce, with up to 500,000 additional new smart meters expected to be installed by 2030 under the policy, which would increase activity levels for installers relative to a scenario with no additional regulation.
- 14.3 The use of non-domestic smart meters, together with this provision of data, is estimated to reduce consumption by 2.8% for electricity and 4.5% for gas, leading to significant direct energy savings and therefore bill savings for non-domestic consumers. We estimate that the proposed policy package will result in net reductions in bills for non-domestic consumers each year between 2027 and 2036. The policy package also generates a significant positive business NPV of between £57m - £168m, as well as several positive growth impacts such as increased investment, and enhanced energy security. The detailed half-hourly consumption data generated by smart meters enables innovative solutions in the energy sector that reward consumers for shifting usage to off-peak times or periods of renewable energy surplus. This enhances system-wide efficiency, reduces energy costs for non-domestic consumers, and helps optimise grid operations. Furthermore, by facilitating a more flexible and responsive energy system, this policy framework enables scaling up of renewables and reduces dependence on imported fossil fuels, giving us greater control of our energy security.

⁴⁶ See NESO (2024) <https://www.neso.energy/document/346791/download>

Declaration

Department: Department for Energy Security and Net Zero

Contact details for enquiries:

SmartMeterModelling@energysecurity.gov.uk

Minister:

Martin McCluskey MP

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed:

A handwritten signature in black ink, appearing to read 'M. McCluskey', is written over a light blue circular official stamp. The signature is fluid and cursive.

Date: 06.07.2026

Summary: Analysis and evidence

Price base year: 2026

PV base year: 2026

	Policy scenario
Net present social value (with brief description, including ranges, of individual costs and benefits)	The package of measures generates a NPV in the range of £135m-£384m, with this range being driven by the level of smart coverage achieved by the policy relative to that modelled in two different counterfactual scenarios. There is currently variation within the energy supplier market with regards to implementation and enforcement of smart-contingent contracts. There is therefore significant uncertainty around how suppliers would behave going forward regarding smart-contingent contracts without government regulation. As such, two counterfactual scenarios have been modelled: • Counterfactual Scenario 1, in which the non-domestic smart meter rollout continues only under the NRO. In the absence of regulatory incentives to accelerate the rollout of non-domestic smart meters, progress stalls due to suppliers plateauing or rolling back on the implementation of smart-contingent contracts because they fear 'going first' with respect to enforcement. • Counterfactual Scenario 2, in which the non-domestic smart meter rollout continues under the NRO and some (but not all) non-domestic suppliers do implement and enforce smart-contingent contracts voluntarily, driving additional smart meter uptake but with heightened risks to consumers. Given the level of uncertainty in this scenario, 50% has been chosen as a cautious upper bound for the level of enforcement which may occur in the market without government intervention, and is higher than we would expect to observe given the current market status quo. The enforcement of smart-contingent contracts in Scenario 2 leads to greater modelled smart coverage across the appraisal period, although still with a lower smart coverage compared to the policy scenario where smart-contingent contracts are universally implemented. This difference in smart coverage between the policy scenario and counterfactual is the main driver of the NPV, and therefore Counterfactual Scenario 1 leads to an NPV of £384m whilst Counterfactual Scenario 2 leads to a conservative lower bound for the NPV of £135m. These counterfactual scenarios also generate the ranges provided for all cost and benefit categories.

Benefits

A significant share of the benefits are accrued by non-domestic energy consumers, primarily through energy savings made as a result of behaviour change driven by the installation of additional smart meters in the policy scenario. These energy savings are in the range of £78m-£216m.

Other significant benefits are in the form of carbon and air quality benefits, as a direct result of reduced energy consumption, and therefore reduced carbon emissions, due to the installation of additional smart meters in the policy scenario. These benefits are quantified to be within the range of £69m-£190m.

Further benefits are accrued by energy suppliers, through reduced costs as a result of no longer needing to visit non-domestic properties to read and inspect traditional meters, a reduction in customer service and inbound enquiries, and other benefits. Supplier benefits amount to £23m-£65m.

Total benefits amount to £171m-£473m.

Costs

The key driver of costs are the costs associated with metering equipment and the installation costs of installing additional smart meters, as well as supplier and industry operating expenditure. Asset costs amount to £14m-£30m, installation costs are £18m-£42m, and supplier and industry operating expenditure totals £7m-£19m.

An 11% optimism bias has been applied to asset and installation costs relating to newly installed smart meters to account for uncertainty around the number and cost of additional smart meters not in smart mode activity that would be generated through additional installs in the policy scenario. A full explanation of the optimism bias level applied is detailed in Section 9.

A proportion of costs are offset by a reduction in the increased costs of reading the large number of traditional meters in the counterfactual. Pavement reading inefficiency costs amount to -£7m -13m. This is a negative cost for this policy package, representing a cost saving, because the peak of this inefficiency occurs when there are near equal numbers of traditional and smart meters. Beyond this point, any policies that increase the rate of smart meter rollout leads to a cost saving for suppliers as fewer inefficient activities relating to traditional metering need to take place.

All costs except the costs incurred by the energy consumption of smart metering equipment are incurred directly by suppliers. Costs due to the energy consumption of smart metering equipment, which fall to consumers, amount to between £1m-£2m.

	Total costs amount to between £36m-£89m. A full breakdown of costs and benefits can be seen in Table 5 in Section 7.
Public sector financial costs (with brief description, including ranges)	No costs are incurred by the public sector.
Significant un-quantified benefits and costs (description, with scale where possible)	Significant unquantified benefits include: - Enhanced customer protection for non-domestic customers from market-driven implementation of smart-contingent contracts (particularly small and micro businesses): Government regulation to provide a formal obligation on suppliers to follow a binding consumer protection code, best protects consumers from the risks of market-led implementation of smart-contingent contracts, which include risks associated with inconsistent supplier application, unfair or disproportionate enforcement action and customer confusion. - Reduced supplier marketing costs: The policy package will reduce the amount suppliers would have to invest in marketing to encourage non-domestic customers to take up smart meters.
Key risks (and risk costs, and optimism bias, where relevant)	Key risks include: There is some uncertainty around the rate at which future installations may go on to become smart meters not in smart mode as accelerating the rate of new installs in the policy scenario will create some additional smart meter not in smart mode activity for suppliers. There are several reasons to expect that the rate at which new installations become and remain a smart meter not in smart mode for prolonged periods of time is likely to be much lower than the latest non-domestic smart meter not in smart mode rate of 11% recorded in Q1 2026 statistics. Especially given the recent introduction of a requirement for suppliers to take all reasonable steps to ensure smart meters in traditional mode are back working in smart mode for consumers as soon as possible and no later than 90 days from the date energy suppliers are first aware.⁴⁷ This is in addition to ongoing Ofgem enforcement, the introduction of Virtual WAN, best practice guidance for installers. To be conservative with this uncertainty, an optimism bias uplift of 11% has been applied to the portion of asset and installation costs generated by SMETS

⁴⁷ [Smart metering policy framework post 2025: government response](#)

	meters to capture the additional activity and metering equipment required to address smart meters not in smart mode. This is likely to be a significant overestimate, as some smart meter not in smart mode activity is likely to be conducted remotely without the need for an installer visit or the replacement of existing metering equipment. • As discussed above, there is uncertainty around, in the absence of regulation, the extent to which non-domestic suppliers would make contracts contingent on the customer having a smart meter as well as the extent to which suppliers enforce these terms. To account for this uncertainty, two counterfactuals have been modelled against the policy scenario in which the Government formally regulates supplier introduction and enforcement of smart-contingent contracts, generating a range for all costs and benefits.
Results of sensitivity analysis	As noted above, all costs, benefits and the NPV have been modelled as a range to account for uncertainty in the smart coverage trajectory which would be observed in a counterfactual world where smart-contingent contracts are not made mandatory through legislation, based on uncertainty in how suppliers would behave.