



Making a positive difference
for energy consumers

To all suppliers and other
interested parties

Email: smartmetering@ofgem.gov.uk

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Dear Supplier,

Smart Meter rollout: Approach to non-compliance with Standard Licence Conditions 39A of the Electricity Supply Licence and 33A of the Gas Supply Licence

This letter sets out how we expect to approach non-compliance by suppliers with their obligations to:

- (i) roll out smart meters to customers under Standard Licence Conditions (“the SLCs”) 39A of the Electricity Supply Licence¹ and 33A of the Gas Supply Licence;² and
- (ii) report and publish under SLCs 44A of the Electricity Supply Licence and 38A of the Gas Supply Licence.

Ofgem’s role is to protect the interests of consumers, acting on behalf of the Gas and Electricity Markets Authority (“the Authority”). We do this by providing regulatory oversight of the rollout obligations, by monitoring and engaging with suppliers on performance throughout the year, and by considering appropriate enforcement action where we believe that a supplier may be in breach of the relevant licence obligations. This letter sets out further our observations on how we expect to approach non-compliance with parties under these obligations. These observations are relevant to all suppliers, regardless of size.

Smart meters bring significant benefits to consumers. In addition to helping consumers to understand and to take control of their energy usage, they play a key role in facilitating the transition to a more flexible energy market and the delivery of net zero emissions by 2050. Failure to meet rollout targets means that fewer customers are able to enjoy these benefits. We expect all suppliers to remain focussed on delivering these targets.

¹ See “Supplier Licence Condition 39A: Qualifying Metering Systems – Post-2020 Roll-out and Installation”, at [Electricity Supply Standard Licence Conditions Consolidated - Current Version.pdf \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/consult/condocs/slc39a/slc39a-current-version.pdf)

² See “Supplier Licence Condition 33A: Qualifying Metering Systems – Post-2020 Roll-out and Installation The Post-2020 Roll-out Duty”, at [Gas Supply Standard Licence Conditions 25 10 2021 \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/consult/condocs/slc33a/slc33a-current-version.pdf)

The SLCs require that suppliers install a number of meters which is equal to or greater than the targets as calculated by the formula set out in their respective supply licences. **A failure to achieve the binding annual installation targets will be a breach of SLCs.** We reminded suppliers of their obligations under these SLCs in our Open Letter in March 2022³, and in subsequent engagement with industry and with individual suppliers.

Whilst 2022 is the first of four years of operation of the new rollout obligation, an obligation on suppliers to bring the benefits of smart meters to customers is not new. We consider that, following confirmation of the targets framework by BEIS in June 2020 and the setting of targets for 2022 and 2023 in June 2021, suppliers have had adequate time to prepare for delivery under these obligations.

We take compliance with these obligations very seriously. Licence holders are wholly accountable for the obligations imposed by licence conditions. As such, where a supplier fails to achieve its installation target, we will consider enforcement action in accordance with our Enforcement Guidelines.⁴

We remind suppliers that they have a separate obligation under their Gas and Electricity Supply Licences, that requires **reporting** and **publication** of both their annual targets and their performance against these targets. Reporting should be done to Ofgem by midday on the 31 January 2023.⁵ We expect suppliers to comply in full with these obligations and we will be signposting consumers with links from our website⁶, to the published 2022 rollout targets and performance against these targets, on suppliers' websites.

We look forward to continuing to work with suppliers to deliver these benefits.

Yours faithfully,



James Crump
Head of Smart Metering

³ <https://www.ofgem.gov.uk/publications/smart-meter-rollout-energy-suppliers-rollout-delivery-open-letter-march-2022>

⁴ <https://www.ofgem.gov.uk/publications/enforcement-guidelines>

⁵ See "Condition 38A: Roll-out and Installation of smart meters – Licensees reporting and publication requirements to the Authority, at Gas Supply Standard Licence Conditions 25 10 2021 (ofgem.gov.uk), and "Condition 44A: Roll-out and Installation of smart meters – Licensees reporting and publication requirements to the Authority", at Electricity Supply Standard Licence Conditions Consolidated - Current Version.pdf (ofgem.gov.uk)

⁶ <https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/smart-meter-transition-and-data-communications-company-dcc/smart-meter-transition-and-data-communications-company-dcc-supplier-smart-metering-installation-targets>