

To: Regulatory Directors and CEOs, Gas and Electricity Supply Licence Holders

Date: 17 April 2023

Email: smartmetering@ofgem.gov.uk

Dear stakeholder,

# Smart Meter Rollout: Open letter on Energy Suppliers' Delivery of the Rollout and **Regulatory Obligations**

2023 represents the second year of the current framework for the smart meter rollout. This is our annual open letter setting out our observations on delivery of the smart meter rollout and other regulatory obligations relating to smart metering. We would like to remind all suppliers of their smart metering regulatory obligations and Ofgem will take robust action against suppliers that fail to deliver these. In our previous annual Open Letters, we have published our high-level observations and our expectations from suppliers in demonstrating compliance with their smart meter obligations, and this letter adds to those.<sup>1</sup>

In this letter, we set out our observations on suppliers' performance against their 2022 rollout targets and our expectations for how suppliers should deliver against these obligations in 2023. We also set out our expectations for how suppliers should deliver against their other obligations relating to smart meters, including the Operational Licence Condition<sup>2</sup>, the Enrolment and Adoption and Replacement Obligations<sup>3</sup>, the New and Replacement Obligation<sup>4</sup>, and the Smart Meter Installation Schedule<sup>5</sup>.

#### Current smart meter rollout context

At the end of 2022, over 55% of all meters in Great Britain were smart or advanced meters.<sup>6</sup> Smart meters bring significant benefits to consumers. They help consumers to take control of and manage their energy usage by providing consumers with real-time

<sup>&</sup>lt;sup>1</sup> Ofgem Smart Meter Open Letters in <u>March 2022</u>, <u>March 2021</u> and <u>June 2020</u>.

 <sup>&</sup>lt;sup>2</sup> Electricity Supply Licence SLC 49 and Gas Supply Licence SLC 43
 <sup>3</sup> Electricity Supply Licence SLC 54 and Gas Supply Licence SLC 48
 <sup>4</sup> Electricity Supply Licence SLC 39.7 & Gas Supply Licence SLC 33.7

<sup>&</sup>lt;sup>5</sup> 'Smart Meter Installation Schedule' at SMIS - REC Portal

<sup>&</sup>lt;sup>6</sup> Smart meters in Great Britain, guarterly update December 2022 - GOV.UK (www.gov.uk)

information on their energy usage and sending automatic meter readings to their supplier. The smart meter rollout is also a key part of the transition to a more flexible energy market and the delivery of net zero emissions by 2050.

Recent challenging market conditions have highlighted the benefits of smart meters for all consumers, such as enabling access to the National Grid ESO's Demand Flexibility Service.<sup>7</sup> There are additional benefits for specific groups of customers, such as enabling prepayment customers with a smart meter to have the support offered in the Government's Energy Bills Support Scheme uploaded to their meter remotely<sup>8</sup>, and enabling suppliers to protect vulnerable customers by identifying signs such as customer self-disconnection more easily.

# Smart meter rollout regulatory framework

The current rollout policy framework began on 1 January 2022 and runs for four years until 31 December 2025. Under this obligation, all suppliers in the market are subject to binding annual installation targets which are set in their licence.<sup>9</sup> The regulatory framework was confirmed by the former Department for Business, Energy and Industrial Strategy (BEIS) (now the Department for Energy Security and Net Zero (DESNZ)) in June 2020<sup>10</sup> and the targets and tolerances for the first two years of the obligation were confirmed in June 2021.<sup>11</sup>

The first year of the current framework ended on 31 December 2022. According to suppliers' end of year reporting for 2022, of a total of 49 suppliers covered by this framework under either the gas, electricity or both licences, 31 suppliers failed to achieve their electricity targets and 23 suppliers failed to achieve their gas targets.

A failure to achieve the binding annual installation targets in either gas or electricity is a breach of a supplier's licence which we take very seriously. We will be contacting all suppliers who are in breach and are in the process of commencing enforcement action in line with our Enforcement Guidelines.<sup>12</sup> We will take further compliance measures against suppliers as we consider appropriate. We will publish more information on this in due course.

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<sup>&</sup>lt;sup>7</sup> The ESO's Demand Flexibility Service

<sup>&</sup>lt;sup>8</sup> Help with your energy bills: Getting a discount on your energy bill - GOV.UK (www.gov.uk)

<sup>&</sup>lt;sup>9</sup> Electricity Supply Licence SLC 39A and Gas Supply Licence 33A

<sup>&</sup>lt;sup>10</sup> Smart meter policy framework post 2020 - GOV.UK (www.gov.uk)

<sup>&</sup>lt;sup>11</sup> Smart Meter Policy Framework Post 2020: Government Response to a Consultation on Minimum Annual Targets and Reporting Thresholds for Energy Suppliers (publishing.service.gov.uk)

<sup>&</sup>lt;sup>12</sup> The Enforcement Guidelines | Ofgem

As we have stated on numerous occasions, we believe that suppliers have had significant time to plan for their delivery under this obligation and put the appropriate processes in place to meet their targets. Some suppliers have succeeded in meeting or exceeding their 2022 targets, which demonstrates that this is achievable. We expect suppliers to ensure that they have the right level of resources, systems, and processes in place to meet their rollout targets.

We expect suppliers who failed to achieve their 2022 installation targets to improve their performance this year to ensure they meet their 2023 targets. Suppliers who fail to meet their targets in years 2, 3 and 4 (2023, 2024 and 2025) of the current framework should consider the possibility that enforcement penalties could be more severe in future. We will be engaging with suppliers on their rollout performance throughout 2023. Any supplier who ends 2023 in breach of their targets should expect to be subjected to compliance activity, enforcement action, or both.<sup>13</sup>

# Reporting of supplier performance

All suppliers were required to report their performance against their 2022 targets and their 2023 targets to the Gas and Electricity Markets Authority (hereafter 'the Authority'), and submit a link to published targets to the Authority by 31 January 2023.<sup>14</sup> In addition, by the same date, relevant suppliers were required to report on their performance in installing smart meters for pre-payment and credit customers as well as their domestic and non-domestic customers in the past year, and their planned installations for these groups in 2023.<sup>15</sup> Suppliers were also required to publish their 2022 performance and 2023 targets on their websites within 2 working days of submitting their reporting to the Authority.<sup>16</sup> Relevant suppliers were further required to publish their performance in installing smart meters for prepayment, credit, domestic and non-domestic customers in the past year and their planned installations for these groups in 2023 within 2 working days of submitting their reporting to the Authority.<sup>17</sup>

As was the case with some suppliers' 2022 beginning-of-year submissions, not all suppliers met these obligations to the required timelines or to the required standard. We have engaged with suppliers directly on this issue but we would note that the requirements on smart meter reporting to the Authority, and the requirement to report accurately, are set

<sup>&</sup>lt;sup>13</sup> The Enforcement Guidelines | Ofgem

<sup>&</sup>lt;sup>14</sup> Electricity Supply Licence SLC 44A & Gas Supply Licence 38A. Suppliers' beginning-of-year and end-of-year reporting is collected by Ofgem on behalf of the Authority.

<sup>&</sup>lt;sup>15</sup> Electricity Supply Licence SLC 44A & Gas Supply Licence 38A

<sup>&</sup>lt;sup>16</sup> Electricity Supply Licence SLC 44A & Gas Supply Licence 38A

<sup>&</sup>lt;sup>17</sup> Electricity Supply Licence SLC 44A & Gas Supply Licence 38A

out in the Gas and Electricity Supply Licences.<sup>18</sup> We expect suppliers to fully meet these obligations and ensure they report accurately to the Authority in future by having processes in place to check the quality and accuracy of their reporting prior to submission. We have published suppliers' links to their performance against their 2022 targets and their 2023 targets on our website.<sup>19</sup>

DESNZ have consulted on their 'mid-point review' of the tolerance setting methodology and tolerance levels that will apply in Year 3 (2024) and Year 4 (2025) of the current policy Framework.<sup>20</sup> We will be updating the 2023 End of Year Performance and 2024 Beginning of the Year reporting templates once DESNZ make their decision on any changes to the framework for Years 3 and 4. We will provide some suppliers with an opportunity to input on the templates before issuing formally for submission in January 2024.

# **Rollout delivery**

#### **Operational delivery**

In previous Open Letters, we have highlighted the importance of factors such as customer engagement, opening up eligibility, maximising installation opportunities and installer capacity, all of which remain highly relevant to suppliers delivering against their annual installation targets.<sup>21</sup> With many suppliers having failed to meet their 2022 installation targets and now working to achieve their 2023 targets, it is of vital importance that suppliers continue to optimise delivery of the rollout to their customers and maximise the number of successful installations.

#### Ensuring sufficient installer resource

In our previous Open Letter, we noted that suppliers should have the capacity and flexibility of resource to meet their smart meter installation targets. This remains our position.<sup>22</sup> We consider that suppliers are responsible for ensuring that they are adequately staffed with meter installers to meet their targets. In practical terms, this means that we expect suppliers to employ (either internally or by using external third parties) enough installers to meet their targets, and we will hold them responsible if they fail to do so. The most recent data provided by DESNZ to Ofgem indicates that numbers of installers

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<sup>&</sup>lt;sup>18</sup> Electricity Supply Licence SLC 5 and 44A and Gas Supply Licence SLC 5 and 38A

<sup>&</sup>lt;sup>19</sup> Smart meter transition and the Data Communications Company (DCC) - Supplier Smart Metering Installation Targets | Ofgem

<sup>&</sup>lt;sup>20</sup> Smart Meter Targets Framework: minimum installation requirements for Year 3 (2024) and Year 4 (2025) - GOV.UK (www.gov.uk)

<sup>&</sup>lt;sup>21</sup> Ofgem Smart Meter Open Letters in March 2022, March 2021 and June 2020

<sup>&</sup>lt;sup>22</sup> Ofgem Smart Meter Open Letter March 2022

employed by large suppliers fell from just under 6,800 in Q1 2021 to just over 6,000 in Q4 2022, indicating that those suppliers are failing to do enough to secure adequate resource.

We expect all suppliers to work individually and collectively to remedy this. Suppliers may need to recruit additional installers if required, either through taking on appropriately trained installers or by investing in recruitment and training of in-house installers (for example through apprenticeship programmes). Suppliers should plan their resourcing needs sufficiently in advance so as not to rely on recruiting staff from other suppliers, which may have further impacts on wage inflation. Suppliers should also explore opportunities to share installer resource, including (but not limited to) through initiatives led by DESNZ to identify resource gaps or surpluses at a postcode level. Suppliers are also expected to ensure that they have adequate installer resource to meet other obligations set out under the Gas and Electricity Supply Licences, which includes the obligation to take all reasonable steps to ensure that their existing stock of smart meters are operating in Smart mode.<sup>23</sup>

# Ensuring sufficient stock of Smart Meter equipment

We also expect suppliers to ensure that they have appropriate stocks of Smart Metering equipment, including smart meters and in-home displays (IHDs), and that they have appropriate plans in place to mitigate any supply chain issues. In Summer 2022, some suppliers expressed concern that shortages of microchips might impact their ability to procure smart meter equipment. Suppliers with a broader supply chain and the ability to rapidly adapt and procure new sources of meter equipment are best placed to mitigate such issues. Ultimately, none of the suppliers with whom we engaged directly at this time subsequently reported to us that they experienced a shortage of smart meter equipment. We expect suppliers to learn from this experience and to ensure that their stock levels are resilient in the event of supply chain difficulties.

# Reducing aborted and cancelled appointments

In our 2022 Open Letter we highlighted the need for suppliers to optimise end-to-end installation and customer journeys, including reducing cancellation and abort rates, in order to maximise the efficiency of their installer workforce and optimise the customer smart meter installation journey.<sup>24</sup> There remains a wide variation in supplier performance in this area, with large suppliers having abort rates between 12% and 42% according to DESNZ benchmarking in the last quarter of 2022. Optimising smart meter installation opportunities

<sup>&</sup>lt;sup>23</sup> Electricity Supply Licence SLC 49 and Gas Supply Licence SLC 43

<sup>&</sup>lt;sup>24</sup> Ofgem Smart Meter Open Letter March 2022

should remain a priority for suppliers as they work towards their 2023 targets. Suppliers should further be focusing on their rebooking and installation processes for appointments that have been cancelled or aborted. We are aware that DESNZ have been engaging with suppliers on this and have identified areas where suppliers can improve their performance. We recommend that suppliers contact DESNZ should they wish to review this guidance and implement it as appropriate.

## Rollout of smart meters to pre-payment customers

Smart meters offer particular benefits to prepayment customers. They enable customers to top up their meter without leaving the house and enable suppliers to identify early signs of customer self-disconnection and take proactive measures to support them. They also enable the customer to be switched to a credit tariff without a further change of meter equipment where this is agreed between the customer and supplier.

It is important that suppliers are proactive and able to offer smart meters to their prepayment customers, taking all reasonable steps to install a smart meter for their prepayment customers wherever a meter is replaced or installed for the first time so that these customers can receive these benefits.

We are concerned by the media coverage about installations of prepayment meters under warrant in recent months.<sup>25</sup> Suppliers who are installing prepayment meters under warrant should take all reasonable steps to install a working SMETS2 wherever they are able, provided that it is safe to do so. Data collected from some large suppliers in early 2023 indicates that at least some have been able to install smart meters when installing under warrant. The installation of a smart prepayment meter offers a much superior product for customers and provides a quicker and easier route back to credit products for the customer. We will continue to monitor suppliers' installations of traditional meter equipment, and if suppliers install a significant proportion/number of traditional prepayment meters under warrant they can expect us to engage with them about whether they are talking all reasonable steps to install a SMETS2 meter instead, as required by the Gas and Electricity Supply Licences.<sup>26</sup> If this is not the case, we will consider further action as appropriate.

In any prepayment meter installation or remote switch from credit to prepayment, suppliers are required to ensure that it is safe and reasonably practicable for their pre-

<sup>&</sup>lt;sup>25</sup> At the time of writing, all suppliers have agreed to voluntarily suspend installations of prepayment meters under warrant and remote switches to prepayment mode. This section should be considered if and when suppliers resume installation of meters under warrant under a new temporary Code of Practice, when this is published.
<sup>26</sup> Electricity Supply Licence SLC 39.7 & Gas Supply Licence SLC 33.7

payment customers to use and top-up their meter and to have processes in place to swiftly detect and resolve any issues after installation.<sup>27</sup> Suppliers should consider this guidance when installing SMETS2 meters.

## Rollout of non-domestic meters

Many of the above themes apply equally to the rollout of smart meters to non-domestic customers. It is important that small businesses and public sector organisations benefit from smart meters given the high potential for energy savings in the sector (constituting 6% of meters covered by the rollout but 21% of consumer benefits). We are aware that DESNZ recently published a non-domestic consumer attitudes segmentation that can be utilised by industry to better understand their smaller non-domestic customers and inform their approach to engagement.<sup>28</sup> We recommend that suppliers review this guidance and implement it as appropriate. This will require suppliers to improve their use of customer data to enable tailored, data-driven approaches to engagement.

# Replacement of Radio Tele Switch meters

The Radio Teleswitch (RTS) is a legacy industry-run service which supports versions of multi-rate, or other complex meter types with certain functions such as switching between peak and off-peak rates or turning on heating or hot water. Meters are switched via a signal transmitted from radio masts. This technology is due to cease operations in March 2024, unless extended further.

We are disappointed at the lack of progress in ensuring that these customers' meters are exchanged for smart variants, especially given that this issue has been ongoing for some time within the industry. Whilst some issues remain to be solved for the most complex scenarios, we are aware that smart metering equipment is available for the majority of RTS meters. As such, we would expect that suppliers are actively planning to ensure that these customers do not experience any detriment associated with the expiration of this service, and that they will be able to experience the benefits of the smart meter rollout by having these meters expediently replaced.

Suppliers are obligated to ensure all customers have appropriate metering arrangements in place and should be taking actions now to proactively identify which of their customers are still using traditional RTS meters and to offer them a smart meter, clearly explaining the benefits of smart metering and the potential consequences if they do not have their meter

<sup>&</sup>lt;sup>27</sup> Safe and Reasonably Practicable Guidance

<sup>&</sup>lt;sup>28</sup> Non-domestic smart meter consumer segmentation - GOV.UK (www.gov.uk)

replaced. We expect suppliers to manage this process well in advance of March 2024 and to ensure that no customers endure loss of supply or any loss of functionality as a result. The Authority will be closely monitoring the progress of the replacement of RTS meters and will be asking suppliers about their specific plans to address the issue.

# Rollout of Alt-HAN equipment

The Alternative Home Area Network (Alt HAN) solution has been developed to address challenges in premises where the components that comprise a smart meter, including the IHD and communications hub, are unable to effectively communicate with one another. The Alt-HAN enables the communication of smart metering devices across a greater distance and through different types of structures.

The Alt-HAN Safe Launch commenced in January 2023, and we encourage suppliers to engage with and support the Alt-HAN solution. This includes identifying premises where Alt-HAN can be installed to ensure more consumers are able to experience the benefits of smart metering. Alt-HAN solutions mean that the benefits of smart meters can now be enjoyed by some customers who have previously been unable to receive them, and we expect suppliers to move quickly to deliver these benefits.

# Other regulatory obligations

# Operational Requirements for Smart Metering Systems and In-Home Displays

# Operation of Smart meters

The Gas and Electricity Supply Licences require energy suppliers to take all reasonable steps to operate their customers' smart meters in smart mode, known as the Operational Licence Condition.<sup>29</sup> As the rollout of SMETS2 meters progresses and the SMETS1 enrolment and adoption programme reaches its conclusion, we are increasingly concerned about the significant numbers of smart meters that are not being operated in smart mode. DESNZ's smart meter statistics indicate that as of December 2022, 89% of smart and advanced meters are operating in smart or advanced mode, equating to 3.2m which are not.<sup>30</sup> In order that consumers can enjoy the full benefits of smart meters, it is critical that the number of non-operating smart meters are minimised and that those which are not operating in smart mode are restored to full functionality as soon as possible.

<sup>&</sup>lt;sup>29</sup> Electricity Supply Licence SLC 49 and Gas Supply Licence SLC 43

<sup>&</sup>lt;sup>30</sup> Smart meter statistics - GOV.UK (www.gov.uk)

We expect suppliers to be proactive in identifying and remedying non-operational smart meters. Suppliers should have relevant processes and systems in place to be able to identify where their customers' smart meters are not operating in smart mode, and to take all reasonable steps to bring them back into operation so that customers enjoy the full benefits of their smart meter.<sup>31</sup> This includes where a smart meter is installed for the first time, where a supplier has gained a meter following a switch and where a SMETS1 meter is enrolled into the Data Communication Company's (DCC) centralised smart metering network.

While there are some reasons why a smart meter may not be operating that are outside a supplier's direct control, properly resourced suppliers should be able to remedy the majority of reasons for non-operation. If a supplier believes that a meter is non-operational for reasons outside its control, it should be proactive in engaging with relevant stakeholders so that it can make the meter operational again when such a problem is resolved.

We are working with DESNZ to collect more data on large suppliers' performance in this area and will be undertaking a programme of compliance work in 2023. We expect to see improvement from suppliers, and we will engage directly with those suppliers where we have concerns about their performance this year.

The operational licence condition is also of relevance to the sunset of 2G and 3G networks due to take place in 2033. Suppliers have an obligation to act pre-emptively to ensure that there is no hiatus in smart metering functionality owing to the sunset of 2G and 3G. We expect suppliers to take appropriate pro-active measures and be preparing accordingly for the sunsetting of these networks.

# Provision and maintenance of In-Home Displays

IHDs give consumers real time information on their energy use, expressed in pounds and pence, enabling them to better manage their energy use. Suppliers are required to offer their customers an IHD at no additional cost when installing a smart meter and fix or replace IHDs as required within 12-months of the installation.<sup>32</sup> As the smart meter rollout progresses, we expect suppliers to have relevant processes and policies in place to operate their customers' IHDs, in accordance with licence requirements, including processes for fixing non-operating IHDs and replacing broken or misplaced IHDs to ensure consumers continue to have easy access to their consumption data. We also note that access to replacement IHDs beyond the current 12-month period for suppliers is a growing consumer

<sup>&</sup>lt;sup>31</sup> Electricity Supply Licence SLC 49 and Gas Supply Licence SLC 43

<sup>&</sup>lt;sup>32</sup> Electricity Supply Licence SLC 40 and Gas Supply Licence SLC 34

issue which the Government is keen to address, and we encourage all suppliers to consider and adopt industry best practice on ensuring that customers have the opportunity to repair or replace non-functioning IHDs outside this initial 12-month period. We urge suppliers to work collaboratively with the Government in developing and adopting new voluntary principles relating to IHD repair and replacement to help consumers maximise the benefits of smart metering.

# Enrolment, Adoption and Replacement of SMETS1 meters

Suppliers are required by the Gas and Electricity Supply Licences to take all reasonable steps to ensure that their SMETS1 meters become eligible for enrolment and once eligible, take all reasonable steps to enrol those meters into the DCC within 12 months and once enrolled operate the meter in smart mode (the 'Enrolment and Adoption obligation').<sup>33</sup> Suppliers are also required to replace any unenrolled SMETS1 meters with a SMETS2 meter by 31 December 2023 (the 'replacement obligation').<sup>34</sup> Enrolment (or replacement) of SMETS1 meters means that these meters will retain smart functionality if the customer switches supplier in future, and that they will provide usage data to the energy system via the DCC, providing benefits to consumers and networks.

Whilst the majority of the relevant 12-month windows for suppliers to enrol their meters into the DCC have now closed, 2023 is a critical year for the SMETS1 replacement programme. We expect suppliers to take all reasonable steps to ensure that their customers either have a fully functional, enrolled SMETS1 meter or have had their SMETS1 meter replaced with SMETS2 as soon as possible and by the required deadlines.

Many suppliers and DCC made significant progress in 2022 in enrolling SMETS1 meters and over 10.5 million have been enrolled into the DCC's network.<sup>35</sup> However, we are disappointed that there remain a few suppliers who are yet to make significant progress in this area, and we expect improvement from these suppliers. We will be engaging with suppliers who have significant numbers of SMETS1 meters which are yet to be enrolled or replaced throughout the year.

Maintaining the systems to enrol SMETS1 meters comes at a cost which will ultimately be borne by consumers, and as such we expect suppliers with <u>any</u> remaining SMETS1 meters which can be enrolled to enrol them as soon as possible. Suppliers should work constructively with DCC to give them appropriate notice of when enrolment capacity will be

<sup>&</sup>lt;sup>33</sup> Electricity Supply Licence SLC 54 and Gas Supply Licence SLC 48

<sup>&</sup>lt;sup>34</sup> Electricity Supply Licence SLC 54.6-7 and Gas Supply Licence SLC 48.6-7

<sup>&</sup>lt;sup>35</sup> Smart meter statistics and network coverage | Smart DCC

utilised, and to utilise it where they have previously notified DCC. Whilst DCC has not had capacity issues up to this point, suppliers delaying enrolment should not assume that DCC will always have capacity when they need it. We expect to see suppliers use this service appropriately and work with all industry stakeholders to enrol or replace remaining SMETS1 meters.

SMETS1 enrolment provides a better outcome for both the supplier and customer than meter replacement, so we would encourage suppliers to enrol SMETS1 meters wherever this is possible. However, we recognise that this will not be possible in all instances, and with this in mind suppliers should have appropriate processes for deciding when a meter needs to be replaced and have plans in place to replace any SMETS1 meters which cannot be enrolled by the end of 2023. We will be monitoring suppliers' performance against the Replacement Obligation throughout the year.

# New and Replacement Obligation

The Gas and Electricity Supply Licences require energy suppliers to take all reasonable steps to install a compliant SMETS2 meter wherever a meter is replaced or where a meter is installed for the first time, such as in new premises (the 'New and Replacement Obligation' or NRO).<sup>36</sup>

We have seen an overall reduction in the volume of non-SMETS2 installations carried out by large suppliers in 2022. Whilst this is positive, our analysis of data reported to us by large suppliers indicates that there is a wide variation in supplier performance in this area. Based on returns from our Wider Monitoring Request for Information (RfI), the best performing large suppliers saw less than 0.2% of their total installations as non-SMETS2,<sup>37</sup> with some of those suppliers installing almost zero traditional or SMETS1 meters. This is in contrast to an average of approximately 7% of installations across larger suppliers. Whilst we recognise that it is not mandatory for consumers to have a smart meter installed and there remain a limited number of specific circumstances where SMETS2 installation may not be possible, this range in performance indicates that there is considerable room for improvement amongst some suppliers.

Suppliers are obligated to take all reasonable steps to ensure that any meter they install is a SMETS2 meter. Where a supplier installs a meter that is not a SMETS2 meter, they should record the reason for why the customer did not receive a working SMETS2 meter, so that they can remedy this as appropriate. We expect suppliers to be continually reviewing

<sup>&</sup>lt;sup>36</sup> Electricity Supply Licence SLC 39.7 & Gas Supply Licence SLC 33.7

<sup>&</sup>lt;sup>37</sup> Excluding Advanced meters

any issue that prevents a SMETS2 installation and implementing change whenever appropriate to rectify these issues. For example, a customer who rejects a SMETS2 installation may move away from the property, so the supplier recording a change of tenancy at that property may present an opportunity for a SMETS2 replacement. As we have set out above, one way that suppliers can improve take-up of SMETS2 meters would be to ensure that they have a methodology for installing SMETS2 meters where they are replacing a meter under warrant. We encourage suppliers to identify a way of doing so that is consistent with existing rules and guidance around installing smart meters and ensuring that prepayment customers are properly protected in line with a new temporary Code of Practice.

We expect to see the reduction in the overall volume of non-SMETS2 installations continue in 2023 and we will be engaging with some suppliers during this year to understand how they can improve and to ensure that they are aware of our expectations.

# Smart Meter Installation Schedule

The Smart Metering Installation Schedule (SMIS)<sup>38</sup> within the Retail Energy Code<sup>39</sup> aims to ensure that consumers receive a high standard of service throughout the installation process and can use and benefit from smart metering equipment.

Supplier compliance with the SMIS is monitored through measures including a customer survey of the installation experience. We are currently reviewing supplier performance on a quarterly basis following the publication of the survey results. Our recent review of survey results has highlighted that some suppliers are performing at a lower level when compared to the top performing suppliers.

While there is a range of performance for suppliers, we are seeing the same suppliers demonstrate both the top and bottom levels of performance on a consistent basis. We will be engaging with suppliers to better understand how to not only raise poor performance to an acceptable level but to maintain consistency for consumers across the industry.

We expect that all stakeholders will continue to work towards delivering the benefits of Smart Meters for all consumers throughout 2023, and we look forward to working with them to make this happen.

<sup>&</sup>lt;sup>38</sup> 'Smart Meter Installation Schedule' at SMIS - REC Portal

<sup>&</sup>lt;sup>39</sup> Retail Energy Code

Yours faithfully,

James Crump Head of Smart Metering