

**EXPLANATORY MEMORANDUM TO THE MODIFICATIONS TO THE
STANDARD CONDITIONS OF GAS AND ELECTRICITY SUPPLY LICENCES AND
TO THE CONDITIONS OF THE SMART METER COMMUNICATION LICENCES
(SMART METERS NO.1 OF 2026)**

1. Introduction

- 1.1 This Explanatory Memorandum has been prepared by the Department for Energy Security and Net Zero and is laid before Parliament by Command of His Majesty.

2. Declaration

- 2.1 The Rt Hon Martin McCluskey, Parliamentary Under-Secretary of State (Minister for Energy Consumers) at the Department for Energy Security and Net Zero, confirms that this Explanatory Memorandum meets the required standard.
- 2.2 Daron Walker, Senior Responsible Owner for the Smart Metering Implementation Programme, at the Department for Energy Security and Net Zero, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

- 3.1 The smart metering team at the Department for Energy Security and Net Zero, can be contacted with any queries regarding the instrument via email:
smartmetering@energysecurity.gov.uk

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

- 4.1 This instrument modifies the standard electricity and gas supply licence conditions and the Smart Meter Communication Licence to: strengthen and clarify obligations to ensure that smart meters operate in smart mode and make sure smart meters are upgraded to use the 4G mobile network ahead of Wide Area Network services ending, such as the planned switch-off of 2G and 3G mobile services by the end of 2033¹; and to set the regulatory framework for the continued rollout of smart meters in Great Britain to the end of 2030.

Where does the legislation extend to, and apply?

- 4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is Great Britain.
- 4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is Great Britain.

5. Policy Context

What is being done and why?

- 5.1 Smart meters are a vital upgrade to our national energy infrastructure. They bring significant benefits to consumers and underpin a modern, clean and flexible energy system. Smart meters help consumers take control of their energy use, cut their energy bills, and unlock the benefits of the transition to clean power.

¹ 3G services are being withdrawn in advance of 2G services. Some Smart Metering devices can operate on both 2G and 3G networks . When 3G services are withdrawn , they will automatically switch to 2G to communicate.

- 5.2 The Government is committed to ensuring that all consumers can benefit from smart meters as soon as possible.
- 5.3 As of the end of September 2025, 70% of all meters were smart or advanced meters across Great Britain.² However, 8.3% of smart meters were not operating in smart mode, meaning that consumers with those meters were not receiving the full benefits of smart meters, and this can undermine consumer trust in smart meters. In addition, between now and 2033, energy suppliers will need to replace high volumes of smart meters or their components (for example, communications hub only exchanges, where the metering equipment remains in situ), in order to ensure they can continue to communicate when the 2G and 3G mobile services are switched off.
- 5.4 The modifications aim to deliver a step-change in consumer experience, provide certainty to industry, and continue the rollout to support the transition to clean power; by making sure that smart meters work as they should, transitioning smart meters to use the 4G mobile network before the 2G and 3G mobile networks are switched off by end 2033, and ensuring the vast majority of consumers benefit from smart meters by the end of 2030.
- 5.5 Specifically, the instrument:
- strengthens the existing Operational Licence Condition, which requires suppliers to take all reasonable steps to ensure smart meters are operating in smart mode, by requiring energy suppliers to take all reasonable steps to ensure smart meters in traditional mode in both domestic and non-domestic sectors are back working in smart mode for consumers promptly, and no later than 90 days from the date energy suppliers first become aware of an issue;
 - clarifies the existing Operational Licence Condition by requiring suppliers to take all reasonable steps to pre-emptively replace smart metering assets in both domestic and non-domestic premises so that they continue to communicate when they would otherwise stop as a result of Wide Area Network (WAN) services ending, such as the switch-off of 2G and 3G mobile services by end of 2033;
 - supports the updated Operational Licence Condition obligation by setting a requirement in the DCC licence for the DCC to issue a statement setting out the dates from when the DCC will not be able to provide SMETS1 and 2G/3G communication services, to enable energy suppliers to plan and deliver upgrades in good time;
 - clarifies that the Operational Licence Condition applies to all smaller non-domestic designated premises in scope of the smart meter rollout, not only microbusiness energy consumers;
 - introduces an obligation for energy suppliers to take all reasonable steps to complete the smart meter rollout by installing smart meters in all remaining domestic premises³ by the end of 2030. This replaces the previous framework under which suppliers were set annual new smart meter installation targets, and which concluded on 31 December 2025;
 - requires all except very small energy suppliers to submit annual deployment plans to Ofgem, setting out the activities they will undertake each year in domestic premises to meet installation, operational and pre-emptive

² DESNZ (2026) [Smart meters in Great Britain, quarterly update September 2025](#)

³ Measures to drive new smart meter installations in non-domestic premises are subject to a separate policy consultation process.

replacement obligations. The milestones they set in these plans for new installations and pre-emptive replacements will be binding from 1 January 2027. To ensure quality and control and comparison we are proposing setting requirements on the justification of targets, Board-level sign-off, and ensuring plans are published on energy supplier websites. Ofgem will be given the option to reject plans and to provide guidance on what it expects to see in suppliers' plans.

- extends the existing Data Request powers to five years after 31 December 2030. These powers are used to monitor the rollout, and an extension will allow government to continue to address issues quickly and base any future policy on robust evidence and in response to market evolutions.

What was the previous policy, how is this different?

- 5.6 Standard Licence Conditions (SLC) 49 of the Electricity Supply Licence and SLC 43 of the Gas Supply Licence required suppliers to take all reasonable steps to establish and maintain installed smart meters in smart mode. However, this did not explicitly focus on what suppliers should do when smart meters were not operating in smart mode. The modification requires that suppliers take all reasonable steps to ensure any smart meters operating in traditional mode are operating in smart mode as soon as possible and no later than 90 days from the date they first become aware of an issue. Introducing a maximum timeframe for recovery of smart services strengthens the existing licence condition by setting a clear expectation of service standards for consumers and industry.
- 5.7 The modification also clarifies that SLC 49 of the Electricity Supply Licence and SLC 43 of the Gas Supply Licence mean energy suppliers are required to pre-emptively replace communications hubs (and any other impacted equipment on the smart metering system) so that smart meters continue to work in smart mode when they would otherwise stop as a result of contracted Wide Area Network services ending, such as due to the switch-off of 2G and 3G mobile services by end of 2033. The modifications also place a requirement on the DCC to set out a clear schedule of the relevant communication service end-dates. These modifications aim to avoid the significant consumer detriment that would occur due to the loss of smart services were the replacements not to happen in time, by setting out a clear schedule and obligation to ensure the replacements happen in good time ahead of these dates.
- 5.8 The 2022-2025 Smart Meter Targets Framework set suppliers minimum annual smart meter installation targets. From 2026, without further intervention, the remaining regulations would have required suppliers to install smart meters only when a meter is newly fitted or replaced. This would not have been sufficient to sustain the pace, investment or installer workforce needed to complete the rollout, reduce consumer bills and achieve the coverage and support the flexibility necessary to support the Clean Power 2030 Mission. The obligation, for suppliers to take all reasonable steps to complete the domestic rollout by the end of 2030, provides certainty by setting a clear end-date and gives suppliers more flexibility than under the 2022-2025 Targets Framework to set their own delivery programmes to meet the regulatory requirements, and to account for the wider range of smart metering-related activities that need to be undertaken at this stage of the rollout.
- 5.9 Under the 2022-2025 Targets Framework, suppliers were required to meet government-set minimum annual smart meter installation targets and to report on progress against those targets. In order to avoid the consumer detriment that would be incurred if deadlines were missed, and as suppliers will have the flexibility to chart their own paths to meeting their obligations, we are replacing this with a requirement for suppliers to

provide annual deployment plans for domestic premises to Ofgem to set out what activities they will undertake each year to meet their smart metering obligations, as noted in paragraph 5.5.

6. Legislative and Legal Context

How has the law changed?

- 6.1 There are no changes to primary or secondary legislation as a consequence of this instrument. It makes changes only to conditions of Gas and Electricity Supply licences, and the Smart Meter Communication Licences.
- 6.2 Section 88 of the Energy Act 2008 gives the Secretary of State the power to modify certain licences under the Gas Act 1986 and the Electricity Act 1989 and related industry codes for specified purposes related to the rollout of smart metering in Great Britain.
- 6.3 As noted, Standard Licence Conditions (SLC) 49 of the Electricity Supply Licence and SLC 43 of the Gas Supply Licence already required suppliers to take all reasonable steps to establish and maintain installed smart meters in smart mode (referred to as the Operational Licence Condition). This instrument makes further amendments to energy suppliers both i) take all reasonable steps to ensure that a Smart Connection is established promptly, and in any event within 90 days, after the date on which the licensee first became aware of the circumstances; and ii) take all reasonable steps to ensure that a smart connection, that does not rely upon WAN communications services that are being shut down, is established prior to the relevant end date for these services and maintained thereafter. As part of this instrument we also clarify that all designated premises with SMETS meters are in scope of the existing Operational Licence Condition.
- 6.4 The Smart Meter Communication Licence is a single document that constitutes a licence under both the Gas Act 1986 and the Electricity Act 1989, and hence is legally two licences in one (and hence the reference to Smart Meter Communication Licences in the plural in certain instances in this document). Custom and practice is to refer to it in the singular, and this is the approach adopted for the purposes of the remainder of this document. The Smart Meter Communication Licence determines how the DCC operates. This instrument adds a requirement for the DCC to specify either the end dates for the relevant communication services, or, where DCC is seeking to extend the end date, the latest date beyond which Mobile Network operators do not intend to offer 2G/3G networks, based on the information set out in the Joint Sunsetting Statement.⁴ Such a requirement does not exist at present.
- 6.5 In 2020 the powers were exercised to implement the previous Targets Framework (2022 – 2025), by inserting standard licence condition 33A into the gas supply licences issued under section 7A(1) of the Gas Act 1986 and standard licence condition 39A into the electricity supply licences issued under section 6(1)(d) of the Electricity Act 1989. This instrument makes modifications for the period following the end of this previous framework to ensure that supplier obligations continue to support progress towards completion of the rollout and improvements in service quality.
- 6.6 SLC 44 and 38 of the electricity and gas supply licences (respectively) previously required energy suppliers to provide a rollout plan and progress report to the

⁴ DCMS (2021) [A joint statement on the sunsetting of 2G and 3G networks and public ambition for Open RAN rollout as part of the Telecoms Supply Chain Diversification Strategy](#)

Authority. This licence condition ceased to apply in 2022, and this instrument replaces it directly with a requirement that licensees provide to the Authority a Deployment Plan with Annual Milestones and must report against its Deployment Plan, as set out in Section 5.

Why was this approach taken to change the law?

- 6.7 Proceeding solely with the enduring requirements laid out in the Licence Conditions and other non-regulatory approaches would not deliver sufficient improvements in the consumer experience of smart meters or sufficient smart meter coverage to support the Clean Power 2030 Mission and deliver the full benefits of the smart meter rollout. Alternative regulatory approaches, such as market-wide fixed targets, were considered. However it was concluded that ‘all reasonable steps’ requirements, supported by deployment plans, would be more appropriate at this stage of the rollout, as it provides greater flexibility to account for the greater variety of smart metering-related activities that need to be undertaken in this period, and to account for future changes such as in technology or consumer demand.

7. Consultation

Summary of consultation outcome and methodology

- 7.1 DESNZ ran a public consultation, “Smart metering policy framework post 2025”, published on GOV.UK on 8 August 2025 and closing 3 October 2025. It applied to Great Britain; Northern Ireland was out of scope. The consultation received 64 responses from: energy suppliers (13), consumer groups (5), trade bodies (6), meter/IHD manufacturers (5), MOPs/MAPs (4), delivery partners (4), DNOs/energy transporters (2), individuals/community groups (15), and other (10). DESNZ complemented written submissions with 13 stakeholder events in August to September 2025, including bilaterals with major suppliers and workshops with representative groups.
- 7.2 There was broad support overall framework and its aims: delivering an improved consumer experience; ensuring operational reliability (including recovering meters operating in traditional mode within timebound targets); providing certainty for investment; and completing the domestic rollout by the end of 2030 with annual deployment plans. All core proposals were supported by the majority of respondents.
- 7.3 Some respondents requested that the annual milestones in deployment plans be subject to tolerances. However, the annual milestones will be set by each supplier and Ofgem already has the discretion to act proportionately and consider performance in the round. In response to the feedback received at consultation, we have made the following minor modifications: reduced the time in which Ofgem will have the option to reject a deployment plan from 40 days to 28 days; and further clarified the obligations on the DCC to provide the relevant communications service end-dates and update their Statement as soon as practicable once any changes are made.
- 7.4 Detailed analysis and the Government’s decisions are set out in the Government Response (March 2026).

8. Applicable Guidance

- 8.1 In relation to annual Deployment Plans, Ofgem may publish supplementary guidance to support plan preparations. If and when Ofgem publishes such materials, links will be added to the relevant GOV.UK policy page.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

- 9.1 A Final Impact Assessment is submitted with this memorandum and is published alongside the Government Response on Gov.UK. Overall, the policy package generates a Net Present Value (NPV) of £599 million to £1,861 million over the appraisal period 2026-2035. The NPV range is driven by the level of additional smart coverage achieved by the end of 2030, relative to a counterfactual in which the rollout proceeds under the New and Replacement Obligation (NRO) only.

Impact on businesses, charities and voluntary bodies

- 9.2 The impact on business, charities or voluntary bodies is that licensed energy suppliers incur additional costs for smart metering assets, installation and operating expenditure. The Final Impact Assessment estimates asset costs of £225m-£694m, installation costs of £298m-£923m, and supplier/industry OpEx of £71m-£213m (ranges reflect uncertainty about the level of smart coverage achieved by the end of 2030.) Administrative and familiarisation costs are ~£4m in total. The policy package is expected to deliver substantial benefits to energy suppliers of between £433m-£1,321m (due to avoided site visits, lower customer-service and debt-handling costs, switching and tariff-change efficiencies). The policy package is also expected to deliver consumer benefits of £378m-£1,151m driven by energy and time savings that are enabled by smart meters. No specific impacts on charities or voluntary bodies are identified beyond their role as energy consumers.
- 9.3 The legislation does impact small or micro businesses (energy suppliers). Therefore, policy considerations were taken to minimise the burden on smaller energy suppliers. Most notably by exempting them from the requirement to submit annual deployment plans to the regulator Ofgem. Full details on this and other small and microbusiness considerations can be found within Section 10 of the Final Impact Assessment.
- 9.4 The impact on the public sector is nil as there are no costs or benefits incurred by the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

- 10.1 The Smart Metering Implementation Programme has an established programme of monitoring and evaluation, delivered by the Programme's Benefits Realisation team. The Programme will continue to monitor the progress of the smart meter rollout, including this legislation.
- 10.2 The approach to monitoring of the supply licence changes is set out in the Impact Assessment. This draws on data collected from industry and Ofgem. Energy suppliers are required to submit annual Deployment Plans to Ofgem setting out milestones for future deployment and reporting against operational obligations, which Ofgem will assess and, where necessary, address through proportionate compliance or enforcement action.

Progress is also tracked using official statistics on smart meters in Great Britain based on supplier returns, which DESNZ publishes quarterly on GOV.UK (installations, operating mode, and overall coverage), as well as industry administrative data. In combination, these sources provide a comprehensive view of supplier performance which can be used to identify emerging risks or disparities.

- 10.3 A Post-Implementation Review (PIR) of these policy changes will also be conducted as part of the Programme's wider benefits monitoring and evaluation activities in 2035. This is 5 years after the conclusion of the installation obligations set out in this Final Impact Assessment, and a year after the end of the appraisal period in the 2019 CBA for the smart metering rollout.
- 10.4 The instrument does not include a statutory review clause because these are licence and code modifications made under section 88 of the Energy Act 2008 and are not secondary legislation within the meaning of section 32(6) of the Small Business, Enterprise and Employment Act 2015. Accordingly, the requirement in section 28 of that Act to include a review provision or a ministerial statement does not apply.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

- 11.1 None.

12. European Convention on Human Rights

- 12.1 None
- 12.2 As the instrument is subject to negative procedure and does not amend primary legislation no statement is required.

13. The Relevant European Union Acts

- 13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").