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Action:	**For Decision**

BEIS Consultation: Smart Meter Policy Post 2020

1. Purpose

On 16 September 2019, BEIS issued a consultation on Smart Meter policy framework post 2020. The consultation has 17 questions and can be split into two main areas:

- Delivering the Policy through measure and incentives
- Ensuring consumer engagement and benefit

The sections below summarise the consultation, a full version of which can be found here, SECAS will discuss potential responses to the consultation at the meeting on 11 October and use the Panel views to draft a response. A full response will then be agreed ex-committee before the 11 November BEIS deadline.

2. Policy Purpose and Principles

On 31 December 2020, existing obligations on suppliers to take all reasonable steps to install smart meters will expire. In order to ensure the rollout of Smart Meters does not lose momentum, and to ensure the regulatory landscape considers the ever-changing energy market, BEIS believe a post 2020 framework is required.

The consultation sets out four key principles that the post 2020 framework policy should achieve:

1. **Encouraging consumers to benefit from Smart Meters** – Ensuring consumers have a smooth installation experience and understand how best to use their data to achieve the full benefits of Smart Meters.
2. **Achieve Market-Wide Rollout to Ensure Maximum Benefits for Consumers** – Completing a nationwide rollout of smart meters and delivering the consequential benefits, cannot be achieved by relying on consumers to actively seek smart meter upgrades alone. The policy needs to help incentivise consumers, yet also recognise the common difficulties suppliers face in meeting delivery expectations.
3. **Normalisation of Smart Meters in Great Britain** – To ensure momentum of the rollout, and 'normalise' smart meters, the policy will create targets relating to the number of smart meters installed in a period by individual Suppliers. Targets will not just rely on the number of smart meters installed, due to a Change of Supplier (CoS) event and the New and Replacement Obligation (NRO).

4. **Giving Certainty to Industry** – recognising that the majority of technical constraints associated with installing smart meters should have been resolved by the end of 2020, there will be less regulatory flexibility than under the current "all reasonable steps" obligation. Clear milestones will be set with a clear definition of what is expected by Suppliers.

3. New licence obligations

Recognising that the NRO alone is not enough to fulfil a market wide rollout, and that the current obligation of "all reasonable steps" (ARS) does not provide enough clarity for Suppliers, new Licence obligations are proposed.

The new obligations will be introduced on 1 January 2021 and apply to all Suppliers. The obligations will place pre-set annual meter installation milestones on Suppliers which will be monitored by Ofgem; who will be responsible for enforcement and compliance. The milestones will be set each year over a four-year period and Suppliers must achieve at least 85% of their target.

The consultation asks 11 questions on these license changes. They ask for agreement on, whether or not, NRO and ARS alone, would be sufficient to deliver the rollout, whether the four-year period of annual milestones with 85% tolerance is suitable and whether the obligation should be applied to all Suppliers regardless of size and date of entry to the market.

4. New DCC Charging Arrangements

Currently, charging arrangements between Domestic and Non-Domestic Suppliers are different. Under the current arrangements, and up to the end of 2020, Non-Domestic Suppliers are charged based on the number of meters enrolled with the DCC, whereas Domestic Suppliers are charged on a market share basis. However, post December 2020, both types of Suppliers will be charged on enrolled meters.

The new post 2020 framework would amend this and create a new charging methodology whereby both Domestic and Non-Domestic are charged on a market share basis rather than on number of enrolled meters. Rationale for the change is that it removes the differential between Domestic and Non-Domestic (which no longer exists since both are obligated to install Smart Meters) and it would remove increased costs for those Suppliers who have made the most progress in meeting the 2020 target for installs.

The consultation does recognise that, under this approach, a mechanism would be needed for DCC to identify advanced meter sites to ensure that non-domestic energy suppliers are not charged for DCC services.

The policy therefore creates the 'COMR' charging period that would run from April 2021 until a date specified by the Secretary of State, and base charges on market share for all Suppliers. At the end of the COMR period, the enduring charging methodology (based on number of Enrolled Smart Metering Systems) would take effect. BEIS estimate that the COMR period would end in March 2025.

The consultation asks only two questions, whether or not there is agreement with the policy, and if the legal text reflects the changes.

5. Consumer Engagement and Benefit

The consultation notes that there has been a significant uptake in consumer engagement in Smart Metering to meet the 2020 deadline, but realises that the type of engagement will need to change post 2020 to encourage those who have not yet installed a smart meter to do so, and to support consumers with a smart meter to fully benefit from its installation.

It also notes that to ensure the full benefits of Smart metering are realised, engagement with consumers may have to change.

There are two questions in this area, but we do not believe the Panel would wish to respond, since this is more for the individual Supplier.

6. Further Policy Support

In addition to the suggested changes to the licence and DCC charging methodology, the consultation also asks if there are any further policy changes that could be introduced to support the rollout.

This is an open-ended question and any suggestions Panel members may have can be submitted.

7. Next Steps

Consultation responses are due by 11 November. Therefore, after discussions at the SEC Panel on 11 October, a draft response to the consultation will be circulated so that a final version can be agreed ex-committee before it is submitted to BEIS.

8. Recommendations

The Panel is requested to:

- **NOTE** the consultation summary as set out in this paper;
- **AGREE** key areas for inclusion in any response; and
- **NOTE** a draft response will be issued prior to the November Panel for review.

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SECAS

4 October 2019