



Department for  
Business, Energy  
& Industrial Strategy

**Department for Business, Energy  
& Industrial Strategy**  
1 Victoria Street  
London SW1H 0ET  
[www.gov.uk/beis](http://www.gov.uk/beis)

The Authority (Ofgem), the SEC Panel, SEC Parties and  
other interested parties

17 September 2020

Dear Colleague,

**SMART METERING IMPLEMENTATION PROGRAMME: CONSULTATION ON  
CHANGES TO ELECTRICITY AND GAS SUPPLY LICENCE CONDITIONS, THE SMART  
ENERGY CODE, AND ELECTRICITY DISTRIBUTION AND GAS TRANSPORTERS  
LICENCE CONDITIONS**

This consultation seeks stakeholders' views on a number of changes proposed in electricity and gas supply licence conditions, the Smart Energy Code and electricity distribution and gas transporters licence conditions, consequential to the smart meter post-2020 policy framework which was confirmed following consultation in June 2020.<sup>1</sup>

More specifically, the areas of regulatory change proposed are to:

- Amend the post-2020 framework and other supply licence conditions to account for SMETS1 meters installed after the SMETS1 end-date;<sup>2</sup>
- Extend the period in which the Secretary of State may request information from electricity and gas network operators regarding smart metering; and
- Make a clarificatory change to specify which MPAN an Additional ESME or Standalone Auxiliary Proportional Controller should be associated with in circumstances where a single premises has more than one distribution connection.

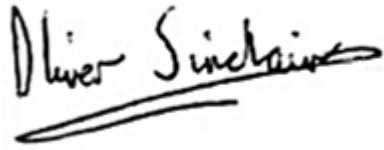
I welcome views on the proposals. The consultation closes on **19 October 2020 at 17:00**. The details on the proposals and how to respond are contained in the consultation document at Annex A.

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<sup>1</sup> See: <https://www.gov.uk/government/consultations/smart-meter-policy-framework-post-2020>

<sup>2</sup> 5 December 2018 for credit meters and on 15 March 2019 for prepayment meters.

Yours faithfully,

A handwritten signature in black ink that reads "Oliver Sinclair". The signature is written in a cursive style with a long, sweeping underline.

**Oliver Sinclair**

Deputy Director & Head of Policy and Governance  
Smart Metering Implementation Programme

**List of Annexes to this letter**

**Annex A** Consultation document

**Annex B** Proposed Legal Drafting (attached separately):

- Attachment 1 – Electricity Supply Licence Conditions
- Attachment 2 – Gas Supply Licence Conditions
- Attachment 3 – Section A of the SEC, Definitions
- Attachment 4 – Electricity Distribution Licence Conditions
- Attachment 5 – Gas Transporters Licence Conditions

## **Annex A: Consultation document**

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## **General Information**

### **Why we are consulting**

This consultation seeks stakeholders' views on proposals for amending aspects of the electricity and gas supply licences, the Smart Energy Code, and electricity distribution and gas transporters licences, relating to smart metering using the Secretary of State's Section 88 Energy Act 2008 powers.

### **Timing**

Responses to this consultation should be submitted **by 17:00 on 19 October 2020**.

### **Responding to the consultation**

Your response will be most useful if it is framed in direct response to the questions posed, by reference to our numbering, though further comments and evidence are also welcome.

Responses should be submitted to: [smartmetering@beis.gov.uk](mailto:smartmetering@beis.gov.uk)

When responding, please state whether you are responding as an individual or representing the views of an organisation.

### **Confidentiality and data protection**

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004). If you want the information that you provide to be treated as confidential please tell us but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable UK and EU data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on the SECAS website. The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

### **Territorial extent**

This consultation applies to the gas and electricity markets in Great Britain.

## **Quality assurance**

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: [beis.bru@beis.gov.uk](mailto:beis.bru@beis.gov.uk).

## **Chapter 1: Accounting for SMETS1 meters installed after the SMETS1 end-date in the post-2020 framework and other supply licence conditions and the Smart Energy Code**

### **Background**

1. The post-2020 framework<sup>3</sup> introduced the concept of both a 'Qualifying Relevant Premises' (QRP) and a 'Qualifying Metering System' (QMS). QRP means a Domestic Premises or Designated Premises where there is installed neither a Smart Metering System nor an Advanced Meter (where permitted under the rollout licence condition). QMS means a Smart Metering System, an Advanced Meter installed in a non-microbusiness non-domestic premises, or a large gas or current transformer electricity meter (in a domestic or non-domestic premises) which is an Advanced Meter. The definition of QRP is used to determine how many QMSs an energy supplier must install under the post-2020 framework.
2. The definition of Smart Metering System in energy suppliers' licence conditions is determined with reference to the 'installation validity period' (IVP) of a version of SMETS. For SMETS1 meters, the installation validity period ended on 5 December 2018 for credit meters and on 15 March 2019 for prepayment meters.<sup>4</sup> This means premises where SMETS1 meters were installed or made fully compliant after the relevant SMETS1 end-date<sup>5</sup> are not Smart Metering Systems and would be counted as QRPs where a new smart meter needs to be installed under the post-2020 framework.
3. The Government response to the post-2020 framework consultation confirmed our policy intent is that premises with SMETS1 meters which were made fully compliant after the SMETS1 end-date should not count as a QRP. The Government response explained that we consider a better consumer outcome is for these SMETS1 meters to be enrolled into the Data Communications Company rather than replaced. This is aligned with our policy intended to support and maximise the enrolment of SMETS1 meters into the DCC.
4. We also confirmed that we would consider whether and how to clarify this policy before the post-2020 framework comes into force, with any amendments proposed subject to consultation.

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<sup>3</sup> See: <https://www.gov.uk/government/consultations/smart-meter-policy-framework-post-2020>

<sup>4</sup> See SEC Section A3 and Schedule 11

<sup>5</sup> Subject to any derogations that have been issued to individual energy suppliers. See: <https://smartenergycodecompany.co.uk/latest-news/skets1-end-date-derogations/>

5. This chapter proposes amendments to energy suppliers' licence conditions to deliver our policy intent. We have also proposed a clarificatory amendment to the definitions of Electricity Smart Meter and Gas Smart Meter in the Smart Energy Code (SEC).

## **Rationale**

6. We acknowledge that some energy suppliers have installed SMETS1 meters after the SMETS1 end-date. While these installations do not count towards energy suppliers' annual milestones or targets under the current 'all reasonable steps' framework, Ofgem has provided an opportunity for energy suppliers to report on the volume of SMETS1 meters installed, the reasons for which the energy supplier decided to proceed with the installation and why they felt it was in the best interests of the customer.<sup>6</sup>
7. We consider it is necessary to amend energy suppliers' licence conditions to ensure that premises where SMETS1 meters were installed (or made fully compliant) after the SMETS1 end-date are not counted as QRPs. This will ensure that these meters are not forced to be replaced early, which would unnecessarily incur hassle for consumers and increase programme costs overall.
8. Having considered this in the context of the post-2020 framework, we recognise that similar issues arise in relation to other supply licence conditions. In general these obligations are intended to protect consumers and deliver the benefits of smart metering. They include the obligations on energy suppliers to operate smart meters in smart mode, offer In-Home Displays (IHDs) to domestic consumers, maintain smart metering equipment, enrol SMETS1 meters in the DCC or replace them with SMETS2 meters within a specified timeframe, provide customer access to data and comply with security and SMICOP requirements.
9. This means there is a risk that these provisions do not apply to consumers with SMETS1 meters which were installed after the relevant SMETS1 end-date. We therefore propose amending licence conditions to ensure they apply to all SMETS1 meters.
10. As the transition to SMETS2 installs has largely been achieved, including in respect of installation of SMETS2 meters in prepayment mode, we also propose introducing a new cut-off point of 30 June 2021 after which any new SMETS1 installation would not be considered a Smart Metering System and hence were they to be installed, the premises would remain a QRP and the installation would not qualify as a QMS. This is intended to drive energy suppliers to install SMETS2 meters exclusively as quickly as practicable, and we now expect suppliers to deploy SMETS2 by default in the

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<sup>6</sup> See: <https://www.ofgem.gov.uk/publications-and-updates/smart-meter-rollout-energy-suppliers-progress-and-future-plans-open-letter-june-2020>

CSP Central and South regions where a prepayment service is to be provided to the consumer. This proposal also makes clear that a SMETS1 installation is not a valid installation under the new framework which begins on 1 July 2021.

11. We consider that the concept of the ‘installation validity period’ should continue to apply in respect of Smart Metering Systems that are installed to meet the current rollout duty (electricity supply licence condition 39.1; gas supply licence condition 33.1) and under the New and Replacement Obligation (NRO) (electricity supply licence condition 39.7; gas supply licence condition 33.7). This means that SMETS1 meters installed after the SMETS1 end-date (or outside energy suppliers’ derogations) do not count towards an energy supplier’s milestones or targets under the current ‘all reasonable steps’ framework and are not compliant with the NRO.

12. Finally, we have proposed a change to the definitions of Electricity Smart Meter and Gas Smart Meter in the SEC in order to clarify that SMETS1 Meters installed after the IVP Date are treated as Electricity and Gas Smart Meters under the SEC.

## Proposed amendments

13. The proposed amendment to standard conditions of energy supply licences and Section A of the SEC are included at Annex B. In summary, we propose amending:
- the definition of Smart Metering System in Condition 1 (Definitions for standard conditions) of electricity and gas suppliers’ licence conditions;
  - the definition of Smart Metering System as it applies to Parts A and B of electricity supply licence condition 39, and gas supply licence conditions 33;
  - the definitions of Electricity Smart Meter and Gas Smart Meter in Section A of the SEC.

Consultation Questions	
1a.	Do you agree with the proposed approach, whereby SMETS1 meters which were installed (or made fully compliant) after the SMETS1 end-date should be considered Smart Metering Systems?
1b.	Do you agree that the proposed amendments to the definition of Smart Metering System in Condition 1 of the electricity and gas supply licence conditions deliver this policy objective?
2a.	Do you agree with the proposed approach, whereby the ‘installation validity period’ should continue to apply in respect of the current rollout duty and the New and Replacement Obligation?
2b.	Do you agree that the proposed amendments to the definition of Smart Metering System as it applies to Parts A and B of electricity supply licence condition 39 and gas supply licence condition 33 deliver this policy objective?
3.	Do you agree with the proposed amendments to the definition of Electricity Smart Meter and Gas Smart Meter in SEC Section A?



## Chapter 2: Consequential amendments

### Background

14. The Government response to the post-2020 framework consultation confirmed a number of consequential amendments would be made to standard conditions of energy supply licences in light of the extension of the current ‘all reasonable steps’ framework to 30 June 2021. The Government response also confirmed that we would consider whether other aspects of the regulatory framework need to be amended to reflect the extension to the current framework.
15. This chapter considers potential consequential amendments and sets out our proposed approach.

### Rationale

16. We have considered whether amendments are required to licence conditions relating to the following areas:
- Provision of information to the Secretary of State by electricity and gas network operators;
  - Current Transformer and Large Gas Meters in domestic and designated premises; and
  - Proactive install and leave and DCC Wide Area Network (WAN) coverage.

#### Provision of information to the Secretary of State by electricity and gas network operators

17. Electricity distribution licence condition 6A and gas transporters licence condition 26 provides for the Secretary of State to request information from licensees relating to smart metering.
18. Currently, licence conditions 6A.9 and 26.9 introduce a cessation date for these powers which applies 12 months after the ARS Specified Date. To ensure that the Secretary of State can continue to request information from network operators throughout the post-2020 framework period, we propose that the cessation date should be amended to 5 years after the ARS Specified Date.
19. This change would align with the changes to energy suppliers reporting licence conditions which were confirmed in the Government response to the post-2020 framework consultation.<sup>7</sup>

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<sup>7</sup> Annex E to the Government response confirmed the proposed amendments to electricity supply licence condition 43 and gas supply licence condition 37. See: <https://www.gov.uk/government/consultations/smart-meter-policy-framework-post-2020>

## Current Transformer and Large Gas meters

20. Electricity supply licence condition 12.27 and gas supply licence condition 12.30 require that after 31 December 2020 the licensee must not supply electricity or gas to any Designated Premises or Domestic Premises through a Current Transformer Meter or Large Gas Meter, respectively, which is not also an advanced meter.
21. While this requirement was originally intended to apply from the end of the current 'all reasonable steps' framework, we do not consider that a further extension is necessary. Information received from energy suppliers suggests that they are aware of the obligation and are taking steps to prepare for it. We also note that licence conditions 12.29 and 12.32, respectively, mean that the prohibition imposed by licence conditions 12.27 and 12.30 does not apply where the licensee is unable to install or arrange for the installation of an advanced meter at the Designated Premises or Domestic Premises in question despite taking all reasonable steps to do so.

## Proactive install and leave and DCC WAN coverage

22. Electricity supply licence condition 49.8(c) and gas supply licence condition 43.8(c) temporarily exempt energy suppliers from the operational requirements set out at licence conditions 49.4 and 43.4, respectively, in cases where the DCC WAN is not available on the installation date but is expected to be available prior to 1 January 2021. This date reflects DCC's contractual obligations to provide WAN coverage to 99.25% of premises in the CSP Central and South Regions, and 99.5% of premises in the CSP North Region by the end of 2020.
23. We do not propose amending this date despite the extension to the 'all reasonable steps' framework as the DCC is on track to deliver its contractual obligations by the end of 2020. The most recent DCC Statement of Service Exemptions shows that as of 1 January 2020 WAN coverage was at 99.75% in the Central and South regions and 99.4% in the North region.<sup>8</sup>
24. We note that certain SEC provisions also relate to DCC WAN coverage and apply from the end of 2020.<sup>9</sup> We do not propose amending these provisions for the same reasons.

## **Proposed amendments**

25. In light of the discussion above, we propose to amend electricity distribution licence condition 6A.9 and gas transporters licence condition 26.9 to ensure the Secretary of

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<sup>8</sup> <https://www.smartdcc.co.uk/news-and-insights/news/statement-of-service-exemptions-2020/>

<sup>9</sup> Namely SEC sections F7.20, F7.21; H8.16(f)(i)(B) and (C); and X3.3(c)(iv)(B) and (C).

State can request information from licensees throughout the post-2020 framework period.

<b>Consultation Questions</b>	
4.	Do you agree with the proposed amendments to gas and electricity network operators' licences (conditions 26.9 and 6A.9, respectively)?
5.	Do you agree with the proposals not to amend other licence conditions discussed above?
6.	Do you consider any other consequential amendments not considered above are necessary to reflect the extension of the current 'all reasonable steps' framework to 30 June 2021?

## Chapter 3: Clarificatory change relating to Additional ESMEs and SAPCs

### Background

26. Following consultation in April 2020 and a Government response in June 2020<sup>10</sup>, changes to standard conditions of electricity supply licences and the Smart Energy Code relating to the treatment of Additional ESMEs and Standalone Auxiliary Proportional Controllers (SAPCs) have recently completed their period before Parliament and the legal instrument making the changes was signed on 14 September 2020. There is a 5 calendar day delay between the signing and the changes taking legal effect and so they will come into effect on 19 September.
27. In electricity supply licence condition 52.14,<sup>11</sup> we proposed that where an Additional ESME or a Standalone Auxiliary Proportional Controller was installed in a consumer premises, the installing supplier should take all reasonable steps to associate the device with an MPAN that was also associated with the electricity meter that measures the supply of energy to the premises. The purpose of this requirement was to ensure that control of an Additional ESME or SAPC could be taken over by the incoming supplier when a change of supplier event occurs.

### Rationale

28. We believe that a clarificatory change is needed to this licence condition to deal with the relatively unusual circumstances in which a single premises has more than one connection to the distribution network. In such circumstances, there may be more than one Import MPAN (or more than one Export MPAN) associated with the premises each of which could be associated with different electricity suppliers. We are proposing a change to clarify that where this applies, the Additional ESME or SAPC should be specifically associated with the same MPAN as the electricity meter that measures (potentially in addition to other loads) the flow of electricity that ultimately flows through the Additional ESME or SAPC (the Relevant Electricity Meter). This would help to ensure that in such circumstances, the “right” supplier can control of the Additional ESME or SAPC.
29. BEIS presented the proposal to make this clarificatory change to the Technical and Business Design Group (TBDG) in June 2020 and received general support for making the change.

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<sup>10</sup> See: <https://smartenergycodecompany.co.uk/latest-news/beis-consultation-response-government-response-to-6-april-2020-consultation-and-outstanding-matters-from-14-january-2020-consultation/>

<sup>11</sup> Please note that as described, the changes relating to Additional ESMEs and SAPCs do not take legal effect until 19 September. Consequently, electricity supply condition 52.14 does not yet appear in the licence conditions published on the Ofgem website. The proposed text can however be found through the link in footnote 1010 above.

### **Proposed amendments**

30. We have drafted the proposed changes to cover the alternative scenarios in which the Relevant Electricity Meter is associated with an Export MPAN, an Import MPAN or both. In these cases, the Additional ESME or SAPC should be associated with the Export MPAN, the Import MPAN or both.

<b>Consultation Questions</b>	
7.	Do you agree with the proposed amendments to condition 52 of electricity supply licences set out in Annex B to make this clarification?