



Note of Clarification on the Proposals in the Smart Meter Prospectus

In response to a request received by DECC, this note provides further explanation in respect of one aspect of the proposals for the rollout of smart meters set out in the Prospectus. The Prospectus proposals and supporting document can be found at: www.decc.gov.uk/en/content/cms/consultations/smart_mtr_imp/smart_mtr_imp.aspx.

The Prospectus includes the proposal that a technical specification for electricity and gas smart meters should be developed to ensure technical interoperability and promote effective operation of the end-to-end system. The Prospectus also sets out a proposed timeline for the development and confirmation of the technical specifications. Under the proposed staged implementation approach the current expectation is that the technical specification will be confirmed by winter 2011 and licence modifications with rollout targets will be introduced in 2012.

The Prospectus notes that suppliers can elect to install smart meters prior to these technical specifications being published. However, this would be entirely at their own commercial risk.

DECC has been asked whether these proposals imply that the Government proposes to require that all such "smart" meters which are not compliant with the technical specifications are removed immediately either on introduction of the rollout targets in 2012; or at the point at which the Data Communications Company (DCC) becomes operational; or, as a class of meters, in advance of other non-compliant meters.

For the avoidance of doubt, such requirements are not proposed or implied by the proposals set out in the Prospectus. Instead the Prospectus asks a series of questions to ensure that we understand the cost and benefit impacts, particularly on business, of different regulatory requirements before final decisions on the regulatory framework are taken.

The Prospectus also explains that the Government would like to accelerate significantly the rollout compared to previously published targets and is looking to the industry to examine all the opportunities for realising more ambitious but achievable targets for the rate at which suppliers must install smart meters.

The Prospectus asks for views on the staged implementation approach (Question 17); for suggestions as to how the rollout could be brought forward (Question 18) and for views on how quickly the technical specifications can be established (Question 19). The supporting document on rollout strategy (www.decc.gov.uk/assets/decc/Consultations/smart-meter-imp-prospectus/228-smart-metering-imp-rollout-strat.pdf) asks questions on the nature of the obligation that should be placed on suppliers (Question 6); the need for interim targets

(Question 7); the form of those targets (Question 8); and what rate of installation is achievable (Question 9). The Prospectus also notes that in the early stage of rollout we propose to give suppliers broad flexibility to respond to consumer demand for smart meters, that there should be a review process to examine this early experience of rollout on the basis of which further measures could be introduced to increase the effectiveness of rollout (see p.33 of the Prospectus). The Prospectus asks for views on our proposed approach to rollout (Question 3 and Question 16).

Stakeholder views submitted in the course of the consultation on these (and all other proposals in the Prospectus and supporting documents) will inform our final decisions in these areas.