

ENERGY ACT 2008

EXPLANATORY NOTES

Part 5: Miscellaneous

Smart Meters

Summary and Background

459. In *Meeting the Energy Challenge: A White Paper on Energy* (May 2007) the Government indicated the importance it placed on improving the information energy customers receive about their energy use. Improved information will enable them to better manage, and take action to reduce, their energy consumption, and as a result reduce their carbon emissions. In this context the Government set out the potential for smart meters to provide, amongst other things, accurate, real time information to consumers about their energy consumption.
460. An announcement was made in the 2008 Budget setting out the Government's intention to mandate a roll out of "smart meters" to medium-sized businesses over the next five years. A further announcement was made in October 2008,, which confirmed the Government's intention to proceed with a roll out of "smart meters" to domestic customers. Sections 88 to 91 will allow for these roll-outs to be mandated. The sections would also allow for a roll-out of smart meters to smaller business in the future, if the Government decides to proceed with a roll-out for that segment..
461. The power in section 88 will allow the Secretary of State to modify electricity distribution and supply licences and gas transporter, shipper and supply licences, or documents made under licence conditions, to require the licence holder to install, or facilitate the installation of, smart meters. As is common practice in regulating these parts of the electricity and gas sectors the intention is to specify the detail of the requirements being placed on licensees and other relevant arrangements, through modified licence conditions and/or amendments to the agreements and codes entered into under the licences.
462. Provision is made for Parliamentary scrutiny. In addition to requirements for the Secretary of State to consult relevant licensees, the Gas and Electricity Markets Authority and any other appropriate persons, there is a requirement on the Secretary of State to lay the draft modifications in Parliament and allow a period of 40 days in which either House of Parliament can reject the draft conditions.
463. In addition to the licence modification power in Section 88, section 91 and Schedule 4 enable the Secretary of State to create new licensable activities in relation to providing, installing or operating smart meters or related infrastructure under the Gas and Electricity Acts by affirmative order. These licences may be used to centralise some, or all, aspects of smart metering provision if that is deemed necessary to ensure their efficient installation across Great Britain. The power may, for example, be used to ensure that a centralised communications infrastructure is put in place to support smart metering.

*These notes refer to the Energy Act 2008 (c.32)
which received Royal Assent on 26 November 2008*

464. [Section 91](#) and Schedule 4 allow for the geographic scope of a licence to be restricted – for instance to provide for regional delivery of smart meters – if required. The order may provide for either the Secretary of State or the Authority to award the licences and Schedule 4 includes power for the Secretary of State to make regulations for a competitive tendering process for purposes of identifying to whom these licences will be awarded.
465. It is expected that the existing licensing framework and metering provisions in the Electricity and Gas Acts would be applied to the new licensable activities, for example: the prohibition on unlicensed activities in section 4 of the Electricity Act and section 5 of the Gas Act; the procedures for modification of licences in sections 11 to 15 of the Electricity Act and sections 23 to 27 of the Gas Act; and the enforcement powers in sections 25 to 28 of the Electricity Act and sections 28 to 32 of the Gas Act.