

Gas and electricity suppliers,  
consumer groups and other  
interested parties



Making a positive difference  
for energy consumers

Date 26 June 2014

## **Open letter – guidance on SLC 27.1: payment methods under Domestic Supply Contract**

This open letter is intended to provide greater clarity on Standard Licence Condition (SLC) 27.1. We focus on whether *standard credit* as a payment method forms part of the requirement to offer energy consumers a “wide choice of payment methods” for paying charges for their electricity and gas.

Our principal objective is to protect the interest of existing and future energy consumers, including our duty to have regard to the interests of vulnerable consumers, such as individuals who are on low incomes. As such, we consider that offering a wide choice of payment methods is essential for consumers (for example, those without access to a bank account or direct debit).

### **Background**

Following reports from stakeholders, Ofgem is concerned that some domestic suppliers may be unclear on the scope of their obligations under SLC 27.1. This licence condition requires domestic suppliers with 50,000 or more customers to offer a wide choice of payment methods. It is the means by which the EU Third Energy Package requirement for consumers to be offered a wide choice of payment methods has been transposed in Great Britain. Ofgem has therefore decided that it is appropriate to issue the following guidance to clarify the scope of SLC 27.1 in relation to this particular issue.

### **Guidance on SLC 27.1**

Ofgem confirms that SLC 27.1 requires licensees to offer a credit payment option that includes cash payment following receipt of a bill for gas and/or electricity already consumed, in addition to a prepayment option. Licensees are required to offer a wide choice of payment methods to all customers, including those without access to a bank account. We note that failure to offer such a choice of payment options would discriminate against such customers and may exacerbate their vulnerability. Furthermore, we consider that our interpretation is consistent with guidance issued by the European Commission on the requirements of the Third Energy Package.<sup>1</sup>

If you would like to discuss any aspects raised in this letter, please contact Jibirila Leinyuy on 0207 901 7000 or email [Jibirila.Leinyuy@ofgem.gov.uk](mailto:Jibirila.Leinyuy@ofgem.gov.uk).

Yours sincerely

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<sup>1</sup> See: the [Commission Staff Working Paper](#): Interpretative note on Directive 2009/72/EC concerning common rules for the internal market in electricity and Directive 2009/73/EC concerning common rules for the internal market in natural gas, 22 January 2010; and [Vulnerable Consumer Working Group Guidance Document on Vulnerable Consumers](#), November 2013.