

Supplier CEOs and Directors of Regulation

Date: 15 November 2022

Dear colleagues,

Response requested to reports about non-domestic customer harm

The wholesale market turbulence, along with wider economic pressures, has put unprecedented strain on businesses and individuals across Great Britain. Ofgem's role is to protect all energy consumers; we all want a market where customers receive great service, fair prices, suppliers are financially resilient and have access to services that enable the transition to net zero. We engage with customers regularly and are concerned about repeated reports about potential detriment that business customers are currently experiencing in the non-domestic energy supply market. We have a shared interest in creating a market that works for business consumers, especially at this challenging time.

The issues that have been raised include the following listed below, that have reportedly been faced by both small and large business consumers:

1. **Lack of offers to contract**; when a customer rolls off an existing contract and for new connections. This has led to an increase in customers on deemed contracts, where the energy charges are some of the highest in the market, further raising the costs of energy for businesses.
2. Where contracts are being offered, there are reports of **excessive security deposit** requirements, that appear unreasonable in the circumstances and can make it impossible for firms to agree a contract.
3. There are also reports of **excessive risk premia** being added to contracts that are offered.
4. Customers **unable to easily contact** their suppliers and/or have **delayed responses** to their queries.
5. Reports of **unacceptable practice during debt and disconnection activities**, including unreasonable demands and poor conduct towards customers. For microbusiness customers, some of these actions could potentially be contrary to the standard of conduct requirements in SLC 0A.
6. **Excessive charges for deemed rates**, that appear to potentially be non-compliant with the requirements of SLC 7.3 through being unduly onerous.

7. Concerning **increases in standing or management charges**, at the same time the EBRS is being rolled out, that raise concerns that the existence of the scheme is facilitating some unreasonable premiums to be added to charges.
8. The above issues are also causing particular harm to a number of **domestic** consumers who receive their energy via a non-domestic contract.

We understand that suppliers may be managing increased market and bad debt risk. However, suppliers should not profit from the current state of the market in a way that negatively impacts customers and must not subvert the intent of the Energy Bill Relief Scheme¹. We are reviewing our options to introduce additional regulations to protect all non-domestic consumers.

We would like a response from each of you, including your views on the risks on the market, specific comments on the issues we are raising and the actions your companies have taken to protect business customers at this time. This will help inform our next steps. We consider this urgent, and ask you to respond by close on **Wednesday 23th November** to Louise van Rensburg, Head of Non-domestic Retail Policy, at the email address NonDomesticRetailPolicy@ofgem.gov.uk.

For your information, we plan to issue a best practice guide on debt and disconnection practices by the end of this month to clarify the sort of behaviour we expect suppliers to follow in this area. We trust this will be helpful as you manage what will likely be a difficult winter for many business customers.

I look forward to receiving your responses, and will arrange any bilateral meetings as required, and a group session of Regulatory Directors to discuss your feedback.

Yours sincerely,

Neil Lawrence
Director of Retail

¹ Regulation 55 of The Energy Bill Relief Scheme Regulations 2022