



Making a positive difference
for energy consumers

To: All licenced energy suppliers

Email: retailpriceregulation@ofgem.gov.uk

Date: 16 November 2022

Dear colleague

Energy Price Guarantee (Domestic) scheme – regulatory expectations for Standard Licence Conditions (SLC) 25, 31F and 31I

The unprecedented rise in wholesale gas prices over the last twelve months has significantly increased energy prices for consumers in Great Britain and across Europe. To support households, the Government announced the introduction of the Energy Price Guarantee (EPG) scheme, to reduce the unit cost of gas and electricity. We continue to support this scheme and recognise that the high and volatile prices alongside a wider cost of living crisis is extremely worrying for customers. Our primary duty is to protect all consumers and we will continue to work with government, suppliers, charities, and consumer groups to do this. To that end, we are writing to suppliers to clarify the regulatory expectations regarding Standard Licence Conditions (SLCs) and EPG scheme obligations.

We understand the uncertainty and challenges suppliers are facing around system changes, new and changing policy decisions, and communicating with customers. We previously acknowledged¹ that, accepting the speed at which the EPG is being progressed, there may be situations where suppliers may have, temporarily, not been able to discharge some licence obligations to the high standards expected of an essential service provider. In recognition of this, Ofgem's approach to compliance and enforcement matters in relation to the EPG scheme's interaction with suppliers' licence obligations will be pragmatic whilst continuing to adhere to the principles of appropriate consumer protection.

¹ Ofgem (2022), Energy Price Guarantee (Domestic) scheme – regulatory expectations letter <https://www.ofgem.gov.uk/publications/energy-price-guarantee-domestic-scheme-regulatory-expectations-letter>

We note that, from 1 January 2023, gas and electricity prices calculated under the cap may change for some customers, and that these changes are unlikely to be entirely mitigated by the EPG scheme. Some customers will therefore see a change in the price they pay for electricity and gas. The SLCs for gas and electricity supply² set out the obligations that suppliers must meet in notifying consumers of price changes. In addition, section 8 of the EPG scheme document³ provides contractual obligations for suppliers to notify customers of tariff changes. It is vital consumers are charged on the right basis this winter, and we will be carefully monitoring supplier compliance with the tariffs set out in the EPG scheme. However, we recognise that there may be some instances where suppliers are not able to meet the communication requirements set out in the SLCs and EPG scheme guidance.

We note that suppliers need certainty and clarity as soon as possible to plan their outgoing communications and we have listened to supplier concerns about meeting their obligations. Suppliers should, as far as reasonably possible, comply with business-as-usual practices in line with SLCs and the obligations set out in the EPG scheme document. It is imperative that where customers' prices are changing, they have timely and accurate information.

Given the complexity of the messages around price changes while the EPG scheme is in place, communications on price changes to affected consumers should be as simple as possible, so we will take a proportionate approach to compliance with the information requirements and principles-based timing of notifications under SLC 25, 31F and 31I. We believe this approach strikes the right balance between ensuring consumer protection and recognising the temporary difficulties suppliers may face regarding licence and scheme obligations.

Suppliers must continue to keep their Ofgem Account Manager apprised of performance matters and any issues arising. We will also continue to work closely with the Department for Business, Energy and Industrial Strategy, suppliers, and industry bodies to identify and respond to emerging issues. If you have any questions regarding this letter, please contact the Retail Price Regulation team at retailpriceregulation@ofgem.gov.uk.

Yours sincerely

Dan Norton
Deputy Director Price Cap

² Ofgem (2022), Licences and licencing conditions <https://www.ofgem.gov.uk/industry-licensing/licences-and-licence-conditions>

³ BEIS (2022), Energy Price Guarantee: scheme documents <https://www.gov.uk/government/publications/energy-price-guarantee-scheme-documents>