Emailed to: NonDomesticRetailPolicy@ofgem.gov.uk

16 July 2026

Ofgem Consultation on Deemed Contracts and Standard Licence Conditions 7.3 and 7.4

Thank you for the opportunity to comment on this consultation which sets out proposed changes to standard condition 7 guidance. We welcome the changes which seek to provide clarity on areas of the ability of the customer to consume energy, bad debt recovery, customer transfer blocking and delayed switching, and security deposits.

We have engaged with Ofgem about this area of concern, so we are pleased to see Ofgem updating guidance to help improve consistency across suppliers and we will continue to share our data and insights to help Ofgem monitor the impact of this change.

1. **Do you agree with our proposals on situations when we will generally view a deemed contract to exist depending on a customer's ability to consume energy? Please provide your reasons.**

We agree with the proposals and welcome the additional clarification on when a deemed contract can arise. In particular, we have long considered it reasonable for a deemed contract to arise in some circumstances, where a customer moves into a new premises with a connected supply, even when no energy has been consumed – particularly in situations where the consumer refuses to allow the supplier to disconnect the supply. In such circumstances, we consider the consumer has elected to enjoy the benefits of maintaining a connected supply and therefore it is reasonable for them to be charged for the supply.

There are other situations which might benefit from guidance from Ofgem. For example, in some circumstances, a consumer will move into a property with a connected supply and immediately decide it is not needed. It would be useful to know whether Ofgem considers the consumer is liable for a deemed standing charge in the period between moving into the property and arranging for the supply to be disconnected, if no energy is consumed.

2. **Do you agree with our proposal around the reasonable recovery of bad debt? Please provide your reasons.**

We agree with the principle. We think that this should be for deemed debt only and not cross-subsidized from fixed term contract consumers.

3. **Do you agree with our proposed text that reminds suppliers of their obligations around customer transfer blocking and delayed switching? Please provide your reasons.**

We agree with the proposed text. We have seen suppliers incorrectly object to deemed debt which has frustrated switching. We think that the guidance helps to clarify what should be occurring.

4. **Do you agree with our proposal around the circumstances in which suppliers should ask for security deposits? Please provide your reasons.**

Yes, we agree with the proposal around the circumstances in which suppliers should ask for security deposits. It may be worth noting that it is unlikely for a situation to arise where a supplier would obtain a security deposit for a deemed customer. This is because security deposits are usually required in situations where a consumer wishes to agree a fixed term contract, and the supplier can negotiate the provision of a security deposit. For deemed, the consumer would most likely switch away or refuse to pay a security deposit as there is no incentive to do so.

5. **Are there any potential implications for domestic customers that the proposed guidance on deemed contract rates may impact on?**

The obvious potential implication is that more domestic customers will be considered to be in a deemed contract. However, the broad basis on which a customer could be deemed to be in contract with a supplier as set out in the consultation seems fair.

As outlined in answer 1, we would like to see consideration given to customers who move into a property, do not consume energy and promptly take steps to have the supply disconnected. It raises the question whether it is reasonable for those customers to be charged for a supply they have never agreed to.

In our experience, many consumers do not understand deemed contracts, and they may be deemed to have entered into a contract without an express agreement with a supplier. We think consumers would benefit from better information about deemed rates at relevant points.

6. **Do you have any further comments on our proposals for the deemed contract guidance?**

Suppliers have to take all reasonable steps to notify a consumer they are on a deemed contract. We have seen inconsistency across suppliers in their approach, and we think that guidance on what 'all reasonable steps' looks like would be useful.

For more information on this response, please contact:
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