Energy UK response to Ofgem – Changes to Guidance on Deemed Contracts

16/07/2026

Submitted via email to nondomesticretailpolicy@ofgem.gov.uk

About Energy UK

Energy UK is the trade association for the energy industry, representing companies investing billions of pounds to secure our country's current and future energy needs.

From growing start-ups to major electricity generators, grid and infrastructure developers and energy suppliers, our members are driving change across power, heat, transport and flexibility.

We provide a collective voice for the sector working with governments, regulators, charities and other organisations to provide crucial insight that shapes policy, offers solutions and promotes best practice.

Our broad view across the whole system supports evidence-based positions which are not tied to particular technologies, and are focused on delivering strategic benefits for people, businesses and the economy.

We champion initiatives such as our Vulnerability Commitment, which pushes suppliers to go beyond regulation to support customers with additional needs, and TIDE, the industry's drive for greater inclusion and diversity. Through our Young Energy Professionals Forum, we support the development of future leaders.

We are equally committed to our team and are proud to be recognised as a 'Platinum' Investors in People employer.

Executive Summary

Energy UK welcomes the opportunity to respond to this consultation and share our insights on improving the clarity of the deemed rates framework. For the benefit of both consumers and the wider energy market, we are supportive of work to ensure that the regulatory landscape for energy supply is fair, predictable, transparent and proportionate.

Energy UK supports an outcomes-based approach to regulation that gives suppliers flexibility in terms of how they operate, while they remain accountable for delivering

good outcomes. This must be based on clear regulatory intent, well-defined obligations and guidance that provides clarity on how those obligations should be interpreted.

We welcome the intent of linking the deemed contract to a customers' ability to use energy, versus their actual usage, which is a change that can potentially support the speed of supplier cost recovery. This is helpful given the current affordability and debt challenges in the UK energy market, but further clarity is needed. Yet, changes that could limit the use of security deposits, can add unnecessary prescription beyond "unduly onerous". This change potentially increases credit risk for suppliers and could restrict the means available to them to mitigate the risk.

To further improve clarity and scope for cost recovery by suppliers, we urge Ofgem to address the current inconsistency in the treatment of debt objections for domestic and non-domestic deemed contract customers. Suppliers can object to a domestic switch on the grounds of debt under a deemed contract, but non-domestic suppliers cannot raise the same objection for deemed contract customers. This matters because non-domestic customers may also accrue significantly higher levels of debt than domestic customers due to higher consumption.

We also encourage Ofgem to examine alignment with the change of tenancy policies.

Where Ofgem has new operational expectations, good practice would be for Ofgem to propose new rules through the formal statutory consultation process, supported by an impact assessment.

Using guidance to introduce prescriptive expectations can create new obligations for suppliers. A fair regulatory environment relies on using formal statutory channels for new requirements. This would ensure that guidance remains a tool for clarity rather than becoming a mechanism for introducing new rules. Guidance should clarify existing obligations but should not prescribe supplier decision-making or create new obligations, consistent with an overall licence framework that relies on outcomes and minimises prescription.

This response is not intended to be confidential.

If you would like to discuss anything noted in this response, please contact me at **candice.orr@energy-uk.org.uk**.

Specific responses to the consultation's questions

Q1. 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?

We would like to express concerns regarding the proposals. While we recognise the intention to provide greater clarity when a deemed contract exists, the draft guidance should explain clearly how the proposed approach aligns with the Gas and Electricity Acts and the existing licence framework.

Under legislation, a deemed contract is triggered automatically when an occupier takes over a property and begins consuming uncontracted energy. If this change is applied, the statutory basis for applying a deemed contract trigger should therefore be clearly explained, including how the concept of an occupier's ability to consume energy aligns with legislation and Standard Licence Conditions (SLCs) 1 and 7.

We urge Ofgem to consider adding to the guidance some worked example scenarios which would help illustrate its expectations. These would build on the situations in the draft where the meter never existed at site or is disconnected. Further worked examples covering the following scenarios would help promote a clearer understanding across the market:

- Meter is disconnected and removed
- New connection (i.e. MPxN has been created but connection is not complete)
- Connected meter that is live/energised
- De-energised (e.g. fuse is removed and cannot supply)
- Capped gas meter
- Faulty or unvalidated meter where:
    - The fault prevents supply and
    - the meter continues to supply energy but is over-registering, under-registering or otherwise recording consumption inaccurately

By shifting the focus from actual physical supply to the occupier's ability to consume energy, the proposed approach requires greater clarity regarding what is intended. Without greater clarity across these scenarios, suppliers may face uncertainty regarding when a deemed contract exists and the associated rights to recover charges, potentially creating unnecessary credit risk.

Ambiguity may arise where supply remains technically available, but consumption has been temporarily interrupted, such as where a gas meter has been capped or an electricity meter has been de-energised. In these circumstances, the existence of a connected meter and the continuing ability to receive supply should be clearly recognised as relevant considerations when assessing whether the conditions for a

deemed contract continue to apply. This is important because energy suppliers need to be able to recover their incurred costs.

Further, the use of "genuinely disputes" in paragraph A1.96 does not clearly set out the objective or evidentiary thresholds envisaged. The lack of clarity can hinder suppliers' work to confidently interpret the intent.

Q2. Do you agree with our proposal around the reasonable recovery of bad debt?

Paragraph A1.102 states that factoring credit risk into pricing alongside a security deposit "would indicate double charging" and "could also be seen as contrary to SLC 0 and 0A." It is unclear on why it is inconsistent with existing licence conditions to charge security deposits to deemed contract customers.

We also note that Ofgem has existing guidance on best practice for non-domestic security deposits, and we recommend that it reviews this amendment to ensure consistency and clarity across both sets of guidance. Ofgem should engage with suppliers further on this issue.

Guidance should therefore avoid introducing new interpretations of obligations that go beyond clarifying the existing regulatory framework.

Q3. Do you agree with our proposed text that reminds suppliers of their obligations around customer transfer blocking and delayed switching?

The draft document highlights existing issues regarding the structural alignment of the supply licences. The draft appears to entrench a historical asymmetry through regulatory guidance rather than addressing the underlying rule defect. The approach set out in paragraphs A1.91 to A1.94 compounds the conflict between asymmetric licence conditions, to the point that the proposal risks further distorting market equity.

For domestic energy supply, SLC 14.4(a) allows a supplier to raise objections when customers who are in debt try to switch supplier, even where there is no formal, signed contract. This facilitates the supplier's proactive management of outstanding debt. Conversely, for non-domestic supply, SLC 14.2 only permits these debt objections if the energy supply contract explicitly allows for them.

As SLC 1 excludes deemed supply from the definition of an energy contract, non-domestic suppliers cannot use customer debt as a reason to block a switch. This restriction appears to represent a legacy anomaly that was never addressed rather than an intentional regulatory policy mechanism.

Given the energy debt problems in the sector, we urge Ofgem to consider resolving this anomaly through the formal statutory rules consultation process. Non-domestic

suppliers' inability to object to switches where there is outstanding customer debt increases unrecoverable debt across the energy sector. Ultimately, this risk is likely to be socialised across the wider market, increasing costs for other customers.

A drafting point for further clarity is that paragraph A1.95 introduces a new topic, 'Delayed switching due to dispute' into the main body of text, without a heading. This makes the guidance harder to follow and risks confusion regarding the different rules for domestic and non-domestic supply.

Q4. Do you agree with our proposal around the circumstances in which suppliers should ask for security deposits?

The proposed text regarding security deposits creates a contradiction that complicates standard risk management. While paragraph A1.100 recognises security deposits as a necessary protective measure for high-risk sites, paragraph A1.101 suggests that using them conflicts with the fair treatment principles outlined under SLC 0 and 0A. This clash between permitted risk mitigation and regulatory expectations poses a clear operational challenge as it undermines the upfront certainty required for energy suppliers to manage serious financial exposure safely.

An unclear compliance standard risks discouraging the use of security deposits even where they are justified. Ofgem's potential discouragement of this tool would remove a practical commercial mechanism for suppliers, which in turn, could further limit their ability to offer flexible payment options to businesses at higher risk of default. Further, this unhedged risk could end up being reflected in pricing generally, which could increase energy bills for other customers.

Q5. Are there any potential implications for domestic customers that the proposed guidance on deemed contract rates may impact on?

Yes, as drafted, the proposed guidance risks introducing issues that could ultimately have a detrimental impact on domestic energy supply customers.

By addressing the domestic market solely through a brief comparison with the non-domestic market in paragraph A1.94, the draft guidance does not fully account for how suppliers operating in both markets work in practice. The draft treats these customer markets as if they exist in isolation. Realistically, a supplier operating across both markets could run its organisation as a single business entity. Significant financial losses on the non-domestic side can affect the financial health of the entire organisation.

If a supplier faces unmitigated bad debt due to the restrictions on switching objections in paragraph A1.91 combined with the limits on security deposits in paragraph A1.101, the lack of credit risk-mitigation tools may increase its exposure to bad debt. This would be particularly so where other credit mitigation tools are constrained. Suppliers are legally prevented from covering these non-domestic

losses by raising domestic energy costs that are subject to the price cap. Such financial strain can weaken the supplier's financial stability.

Were Ofgem not to address these issues affecting the draft guidance, there could be an increased risk of supplier failure. Should a supplier fail, the cost of moving its customers to another provider under the Supplier of Last Resort (SoLR) process is shared by customers across the entire energy supply sector. These failure costs can eventually make their way to the energy bills of domestic consumers.

Q6. Do you have any further comments on our proposals for the deemed contract guidance?

Regulatory guidance is most effective when it clarifies how the existing rules are to be interpreted. Clarity here is important because the guidance should support a common understanding of suppliers' obligations across the market without limiting the ability of suppliers to apply proportionate judgement.

Regular reviews of individual guidance documents such as this one are also critical to ensure they remain aligned with changing market dynamics. To this end, it would be useful to understand Ofgem's plans for reviewing this document in future.

In the Non-Domestic Market Review, Ofgem pledged to conduct a complete review of its SLC guidance to remove obsolete content, make structural improvements and provide greater overall clarity. Following through on that commitment would be a constructive move that should be aligned with Ofgem's ongoing licence simplification and consumer outcomes workstreams.

This would ensure this new text is integrated into a modernised, clean guidance framework rather than being added to legacy documents. Additionally, we urge Ofgem to take this opportunity to review the remaining sections of this deemed rates guidance document for drafting, grammatical and consistency issues.

The absence of an explicit implementation timeline for this guidance is a gap in this update. Configuring system workflows and adjusting operational processes require considerable lead time for suppliers and a rushed rollout risks disrupting standard supply operations that serve energy customers. We suggest that it would be appropriate for this guidance to be accompanied by a six-month implementation period from its date of publication.