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Dear Paul,

Re: Consultation on Deemed Contracts and Standard Licence Conditions 7.3 and 7.4

We welcome the opportunity to respond to Ofgem's proposed changes to the guidance on deemed contracts. This response represents the views of SSE Energy Solutions (SSE Energy Supply Limited). As a non-domestic only supplier operating across a diverse and dynamic customer base, we recognise the important role deemed contracts play in maintaining continuity of supply, whilst also acknowledging the need to ensure they deliver fair and transparent outcomes for consumers.

Deemed contracts, by their nature, typically arise at points of low customer engagement, and therefore require careful consideration to ensure they do not inadvertently lead to poor outcomes. Concurrently, it is essential that any updated guidance reflects the operational and commercial realities of the non-domestic market.

Given that deemed contracts materially differ from negotiated contracts, this must remain central to how they are regulated and interpreted. We have provided responses to Ofgem's specific questions in Annex 1 but note our key points below:

- We agree that customers should be well-informed of deemed contract terms and pricing and that suppliers should take active steps to engage customers, however, the guidance must allow for flexibility in how this is achieved. Non-domestic pricing is inherently complex, reflecting factors such as market volatility, demand profiles, and credit risk. Overly prescriptive requirements around how pricing is communicated may risk creating outputs that are technically compliant but not necessarily more meaningful to customers.

- We support the objective of prompt engagement but dependence on industry data that can often be delayed, incomplete, or inaccurate must be considered (e.g. challenges around notification of new tenants, periods of vacancy, identifying responsible legal entities, multi-occupancy etc.). The guidance should recognise these constraints and be framed in a way that reflects reasonable steps rather than absolute obligations that may be outside supplier control.
- It is critical that the guidance does not unintentionally undermine the principle that deemed prices must be cost-reflective given that customers on deemed arrangements represent a materially higher risk to suppliers. Suppliers must be able to reflect these risks in pricing in a way that is commercially sustainable and any move towards implicit price constraints risks distorting the market, damaging competition and ultimately reducing the incentive for customers to engage.
- The guidance should avoid creating pressure to move customers off deemed contracts within arbitrary timeframes. Products offered must be appropriate to a customer's needs and circumstances and in some cases, a degree of flexibility in the duration of deemed arrangements is necessary to avoid unintended detriment.
- Ofgem should consider that suppliers will need time to adjust to these changes and allow sufficient time for implementation. This is particularly relevant given large-scale change taking place for MHHS.
- We would note that this consultation risks introducing prescriptive expectations through guidance. This has the effect of creating new obligations for suppliers. Where new requirements are intended, these should be implemented through the appropriate statutory and regulatory processes. This helps maintain regulatory certainty and ensures that guidance serves its intended purpose of providing clarity and support, rather than functioning as a vehicle for new obligations.

Finally, we see that there is opportunity to align deemed contract expectations with Ofgem's broader Consumer Outcomes work. To achieve this effectively, it will be important to ensure that any new or revised guidance is clearly linked to outcomes, avoids duplication with existing licence conditions, and provides sufficient clarity to enable consistent interpretation across the market.

We would welcome ongoing dialogue with Ofgem as these proposals develop and would be happy to provide further insight if helpful.

Yours sincerely,

Christie Thomson
Regulation Manager – SSE Energy Solutions

Annex 1

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? Please provide your reasons.

We broadly agree with Ofgem's proposal to clarify that a deemed contract can only arise where a customer has the ability to consume energy, and we welcome the additional guidance distinguishing between situations where supply is available and where it is not. However, Ofgem should carefully consider circumstances where suppliers remain responsible for a supply point and continue to incur industry and network-related costs despite temporary de-energisation. Clarification may be required on whether, and in what circumstances, standing charges or equivalent fixed costs remain recoverable from an occupier where supply is unavailable, but the supplier retains responsibility for the premises.

We support the distinction drawn between premises where no meter is installed or where the meter is disconnected, and premises where a connected meter is present given that this provides greater legal and operational certainty for suppliers and customers.

We consider that the guidance would benefit from further acknowledgement of the practical complexities that arise in real-world scenarios, such as situations involving delayed disconnections, disputed meter status, or uncertainty around site energisation (e.g. in some cases a customer may put the fuse back into a de-energised site causing ambiguity around status). These often rely on incomplete / delayed industry data and mean that suppliers must make operational decisions based on the best available information at the time. We would encourage Ofgem to emphasise in the guidance that assessments of whether a deemed contract exists should continue to be made on a case-by-case basis, taking into account the information reasonably available to the supplier.

Overall, we support the proposal, provided the guidance continues to recognise the need for reasonable judgement to be used in some circumstances.

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

We agree with Ofgem's position that suppliers should be able to reasonably recover bad debt costs through deemed rates, and we welcome the explicit recognition in the draft guidance that deemed customers present higher risk and cost to serve.

Deemed customers typically enter supply arrangements without prior engagement, credit assessment, or contractual commitment. This exposes non-domestic suppliers to materially higher risks of non-payment and unhedged wholesale exposure. It is therefore both reasonable and necessary that these additional costs are reflected within deemed pricing.

We also support Ofgem's emphasis on proportionality and evidence, such as the expectation that suppliers can justify and document how bad debt and risk costs are incorporated into their deemed rate methodologies.

Nonetheless, we consider it important that the guidance does not create an overly restrictive interpretation of "reasonable" recovery that risks undermining cost reflectivity. Suppliers should retain discretion to price based on the inherent risks, provided they can evidence robust and fair methodologies and demonstrate that bad debt recovery is applied consistently and reviewed regularly.

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

Yes, we agree with Ofgem's proposed text and support the clear restatement of suppliers' obligations in relation to customer transfer blocking and delayed switching for deemed customers. It is appropriate to reinforce that deemed contract debt cannot be used as grounds to object to a transfer and we expect this clarity to support consistent application across the market.

We also support Ofgem's position on delayed switching arising from billing disputes. Where disputes exist, suppliers should act promptly and constructively to resolve, and should not use unresolved issues as a mechanism to prevent customers from switching or contracting. We agree that where delays have occurred due to supplier fault, there should be a willingness to review and adjust charges where appropriate.

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

We acknowledge Ofgem's concern regarding the potential for double charging if suppliers price for risk within deemed rates and require a security deposit, but we consider that suppliers need to have ability to decide if a security deposit is appropriate and should be permitted to request one if a customer chooses to remain on a deemed contract. When debt risk is included in pricing, it is essentially at an overall portfolio level rather than at individual customer level. This means that other good-paying customers within the deemed customer group are picking up a proportion of non-paying customers' debt risk. Ultimately, we want a functioning market with low debt risk and enabling security deposits will lower the debt write-off for deemed customers, and ultimately lower deemed prices for all customers.

We also request that the guidance allows some flexibility for high-risk scenarios. Circumstances such as repeated non-payment, history of disconnections, imminent risk of loss etc. may mean that a security deposit may be a proportionate and necessary risk-management tool if alternative mitigations are not viable.

We therefore recommend that the guidance explicitly provides for defined exceptions (supported by clear justification and appropriate customer communication). We do not agree with any blanket assumption that requesting security deposits results in non-compliance in deemed contract scenarios.

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

No specific comments – we are a non-domestic only supplier. We do not foresee that the proposed guidance will have negative implications for domestic customers.

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

We note that this guidance is intended to be binding and enforceable and would therefore encourage Ofgem to continue engaging with suppliers as it is finalised (particularly on areas where interpretation may vary across suppliers / scenarios). Review of these clarifications may require suppliers to update internal governance and processes – we would encourage Ofgem to allow sufficient time for this and to adopt a pragmatic approach during early stages of enforcement.