1. **Do you agree with our position 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.*

Utility Aid Limited (UAL) agrees that a consumer's ability to consume energy is an important consideration when determining whether a deemed contract exists. UAL welcomes the additional clarity provided by the proposed guidance, which should help promote greater consistency across the market. However, a consumer's ability to consume energy should not be the sole consideration in every circumstance.

From UAL's experience supporting charities and non-profit organisations, there are occasions where legal responsibility for a premises or the energy supply is not immediately clear. Whilst a consumer may have the ability to consume energy, there can be legitimate uncertainty over who is responsible for the supply. In these circumstances, suppliers should make reasonable efforts to establish who holds legal responsibility before relying solely on the ability to consume energy. This is not intended to remove responsibility from consumers, but to recognise that there are genuine situations where responsibility requires clarification before an informed decision can be made.

Changes of tenancy are one of the most common examples. UAL recognises that suppliers require an effective mechanism to ensure continuity of supply and that deemed contracts fulfil an important role in achieving this. However, incoming consumers may not immediately know who supplies the premises, may require time to establish responsibility for the supply or, particularly within the charity and non-profit sector, may need to complete internal governance processes before entering into a new contract. During this period, consumers can remain on deemed arrangements through circumstances largely outside their control.

The focus should therefore not be on whether deemed contracts should exist, but on ensuring consumers are able to move onto appropriate contracted terms as quickly and fairly as possible once responsibility has been established. UAL would encourage suppliers to make every reasonable effort to identify and engage with the responsible consumer before they remain on deemed arrangements for longer than is reasonably necessary.

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

UAL agrees that suppliers should be able to recover reasonable bad debt costs through deemed contract rates. Bad debt is an inherent commercial risk associated with supplying energy and it is reasonable that suppliers are able to recover legitimate costs. The key consideration, however, is ensuring that any recovery remains transparent, proportionate and supported by appropriate evidence.

In UAL's view, the emphasis should be on what constitutes *reasonable* recovery. Consumers who find themselves on deemed contracts should not disproportionately bear the cost of bad debt where that risk could be more fairly shared across the wider market. This is particularly relevant where consumers are on deemed arrangements through circumstance rather than choice.

Greater transparency would also be beneficial. Suppliers should be able to demonstrate how any bad debt allowance has been calculated, why it remains appropriate and how it reflects actual levels of risk. This would provide greater confidence that deemed contract rates are recovering no more than is reasonably necessary.

UAL also considers it important that bad debt allowances are reviewed periodically rather than remaining static. Where supplier processes improve, payment performance strengthens or bad debt reduces over time, consumers should benefit from those improvements through corresponding reductions in any allowance incorporated within deemed contract rates. This supports the principle of continuous improvement whilst ensuring suppliers retain appropriate protection where genuine commercial risk exists.

UAL also considers there to be an important distinction between genuine bad debt and other circumstances that may result in an outstanding balance. Disputed invoices, supplier billing errors and accounts operating under an agreed repayment arrangement do not necessarily present the same level of risk as confirmed non-payment. Recognising these differences would help ensure that the recovery of bad debt remains fair, proportionate and evidence-based.

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.*
UAL agrees that suppliers should be reminded of their obligations around transfer blocking and delayed switching. Greater clarity should support more consistent application of existing obligations and reduce unnecessary consumer detriment where transfers are delayed.

From our experience, the reasons consumers are prevented from switching are varied and often legitimate. These can include genuine outstanding debt, billing disputes, supplier objections, erroneous transfers, metering issues and changes of tenancy. The issue is not that suppliers have the ability to object where appropriate, but that the application of those processes can vary significantly between suppliers, leading to inconsistent consumer outcomes.

In practice, this inconsistency can influence the advice UAL provides to consumers. There have been occasions where operational processes relating to change of tenancy or transfer management have led us to recommend a supplier that is not the lowest priced option because we have greater confidence in the consumer experience should issues arise. Consumers should not experience materially different outcomes simply because suppliers operate different approaches to similar situations.

There is also an important distinction between confirmed debt, disputed charges, supplier billing errors and accounts operating under agreed repayment arrangements. These circumstances present different levels of risk and should not automatically result in the same transfer outcome. Recognising those differences would support a more proportionate approach while continuing to protect suppliers where legitimate commercial concerns exist.

Communication also remains important. Whilst suppliers generally meet their minimum obligations by notifying consumers that a transfer has been blocked, the information provided can be limited and difficult to understand. Clearer explanations of why an objection has been raised and what action is required to resolve it would help reduce frustration and unnecessary delays.

The guidance should place greater emphasis on consumer outcomes rather than simply completion of a process. Where a consumer is actively engaging with the supplier and taking reasonable steps to resolve the issue, suppliers should make every reasonable effort to facilitate a timely transfer onto appropriate contracted terms. This would support a more consistent and proportionate approach while recognising the legitimate rights of suppliers to protect themselves where genuine grounds for objection exist.

4. **Do you agree with our proposal around the circumstances in which suppliers should ask for security deposits?**
*Please provide your reasons.*
UAL agrees that suppliers should be able to request security deposits where there is a genuine and evidenced commercial risk. Security deposits can provide an appropriate means of protecting suppliers in certain circumstances, provided they are applied proportionately, supported by a clear rationale and remain subject to periodic review.

From UAL's experience, the greatest challenge is not whether security deposits should exist, but how the underlying risk is assessed and managed over time. A consumer's sector or credit profile may justify additional protection at the outset of a contract; however, that risk should not be treated as permanent. Where a consumer demonstrates a strong payment history and no longer presents the level of risk originally identified, there should be a clear expectation that the requirement for a security deposit is reviewed.

This is particularly relevant within the charity and non-profit sector. Following the Covid-19 pandemic and wider market disruption, UAL observed an increase in charities and places of worship being asked to provide security deposits or accept alternative risk management measures despite historically presenting a relatively low level of credit risk. Whilst suppliers understandably reassessed risk during an unprecedented period, those assessments should continue to evolve as market conditions and individual consumer behaviour change.

Suppliers should also clearly explain why a security deposit has been requested, how the amount has been calculated, when it will be reviewed and the circumstances in which it will be returned. Greater transparency will help consumers understand the basis of the decision and provide confidence that the requirement remains proportionate.

Increasingly, suppliers are also using alternative mechanisms, such as sector-based risk premiums, instead of requesting security deposits. Whilst these approaches may reduce the need for significant upfront payments, UAL believes the same principles should apply.

Any additional costs associated with managing risk should be evidence-based, proportionate and reviewed periodically to ensure they continue to reflect the consumer's actual level of risk rather than assumptions associated with a particular sector.

Risk management measures should therefore be dynamic rather than static. Security deposits and alternative risk management measures should remain in place only for as long as the underlying risk continues to exist, with suppliers expected to review those decisions at appropriate intervals, such as contract renewal or, where contracts extend beyond two years, at least once during the contractual term.

5. **Are there any potential implications for domestic customers that the proposed guidance on deemed contract rates may impact on?**
UAL's expertise and operational experience are focused primarily on the non-domestic energy market, particularly supporting charities and non-profit organisations. As such, we do not consider it appropriate to comment in detail on the potential implications for domestic consumers.

   However, many of the principles and recommendations set out throughout this response are equally capable of application within the domestic market, particularly where they promote greater transparency, consistency, proportionality and fair consumer outcomes.

6. **Do you have any further comments on our proposal for the deemed contract guidance?**
UAL welcomes Ofgem's continued focus on improving clarity and consistency around deemed contracts. The proposed guidance is a positive step towards establishing clearer expectations for suppliers and improving consumer understanding of how deemed contract arrangements should operate in practice.

   Throughout this response, UAL has highlighted areas where the guidance could be strengthened based on our operational experience of supporting charities and non-profit organisations across the non-domestic energy market. A recurring theme is the need to ensure that regulatory compliance delivers fair consumer outcomes, rather than simply confirming that a process has been followed.

   Defined processes are important, but they should be supported by clear evidence, proportionate decision-making and periodic review. Supplier decisions relating to deemed contracts, bad debt recovery, transfer objections and security deposits should be capable of evolving as consumer circumstances and supplier risk change over time.

   UAL has welcomed the opportunity to contribute to this consultation and would be pleased to continue supporting Ofgem as this work progresses. Should Ofgem wish to discuss any aspect of our response, or draw upon our operational experience supporting charities, non-profit organisations and TPIs operating within the non-domestic market, we would welcome the opportunity to assist further.