Deemed contracts and standard licence conditions consultation

July 2026

About UKHospitality

- UKHospitality is the leading trade body for hospitality, representing more than 740 members and 130,000 venues across the UK. As a sector, hospitality contributes £93 billion to the economy, employs 3.5 million people and generates £54 billion in tax for the Treasury.
- The body speaks on behalf of a wide range of leisure and 'out-of-home' businesses, from FTSE 100 enterprises to medium-size groups and independent single-site operators, as well as 6,000 affiliated operators.
- Engaging with Government, the media and the public, UKHospitality works to develop a robust case on how to unlock the industry's full potential as the biggest engine for growth in the economy and ensure that the industry's needs are effectively represented.
- Hospitality represented 10% of UK employment, 6% of businesses and 5% of GDP in 2019.

Executive Summary

- UKHospitality strongly believes that a deemed contract should not apply unless a customer (such as a hospitality business) consumes energy.
- There should not be increased charges associated with the cost of supplying deemed rates customers.
- In order to give the guidance more 'teeth', Ofgem should ensure the wording is stronger regarding what is expected of energy suppliers.
- UKHospitality disagrees that security deposits should be required for sites deemed as high risk.

UKHospitality Response

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?

UKHospitality does not wholly agree nor disagree with the proposals set out regarding when a deemed contract is likely to exist. In general, we agree that a deemed contact must not exist if a business is not consuming gas/electricity at the premises. This is a fundamental principle of deemed contracts, and must be preserved. We do however have some areas of disagreement.

Most significantly, we disagree that a deemed contract could arise when a business moves into a new venue and has the ability to take supply, even when the customer chooses not to consume energy. This is in direct contradiction with the point noted above and our overwhelming view is that deemed contracts cannot exist if the business chooses not to consume any energy – regardless of whether they have the ability to take supply or not. Failing to do so significantly undermines the system and could leave many businesses in the hospitality sector vulnerable to standing charges, without their knowledge or intention

of using any energy with that particular supplier. At a time when hospitality businesses are struggling in a difficult trading environment, extra costs via the back door like this are most unwelcome and deter investment.

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

Regarding the recovery of bad debt, UKHospitality disagrees that there should be increased charges associated with the cost of supplying deemed rates customers. This is particularly the case given the issues hospitality businesses have faced with energy suppliers over recent years, with many examples of bad practice taking place during energy crises. With this in mind, and whilst this trust is still being rebuilt, it is not right that businesses should face increased costs, regardless of deemed contracts.

Should there however be increased charges, which UKHospitality would not support, it is essential that there is a cost cap to prevent energy suppliers from taking advantage of businesses. We would be happy to work with Ofgem at a later date to determine what this cap could be. In addition, any costs must be fully transparent, and businesses must be made aware immediately upon 'entering' a deemed contract.

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

Yes, UKHospitality generally agrees with the text that reminds suppliers of their obligations around customer transfer blocking and delayed switching. In particular, we are supportive of the text around suppliers not being able to object to a switch away from a deemed rate, as a means of ensuring businesses are not stuck into deemed contracts, with unexpectedly high charges.

As a general point however, we believe the text should take a stronger tone than is proposed. For example, in A1.98 where it states "*we would expect the supplier to work with the customer to re-bill the account or look to retrospectively reduce the rates which the customer has paid over that time period",* this should be strengthened to state that suppliers ***must*** work with the customer. Failing to do so may risk this guidance becoming nothing more than a box ticking exercise, with no real obligation on energy suppliers to ensure they have given regard to it.

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

Regarding security deposits, UKHospitality disagrees that there may be some instances where a supplier may require one for those sites which are viewed as high risk. During previous energy crises, many of the issues that hospitality businesses faced with energy suppliers were as a result of hospitality businesses being deemed as 'high risk'. In order to prevent this happening again, the guidance should clearly state that there cannot be a targeting of certain sectors, irrespective of arbitrary definitions of what is considered high risk.

UKHospitality supports the addition within the guidance that suppliers should not, in most cases, charge security deposits to deemed rate customers. However, as previously highlighted, this wording must be stronger and state that security deposits should, as default, not be charged to deemed rate customers. If suppliers wish to do so, there must be clear guidance on a very small number of instances on which this is acceptable with suppliers justifying why they have done so. Similarly, and whilst we support refunding security deposits as soon as possible to customers when one is due to be returned, the guidance should

state that the supplier ***must*** refund this as soon as possible, with guidance set out on what is determined as soon as possible.