E.ON UK Limited
Trinity House,
2 Burton Street,
Nottingham,
NG1 4BX

16 July 2026

By email only: nondomesticretailpolicy@ofgem.gov.uk

Response to Ofgem's consultation on Changes to Guidance on Deemed Guidance

Dear Paul,

Thank you for the opportunity to respond to Ofgem's consultation on Changes to Guidance on Deemed Contracts. **E.ON supports Ofgem's efforts to ensure that suppliers are complying with their obligations on deemed pricing under supply licence condition 7, however if not implemented with safe-guards, the intent** could ultimately lead to disparity in supplier behaviour and consumer outcomes and could potentially lead to suppliers socialising bad debt costs across the wider customer base. Ofgem's expectations in this regard should be set out more clearly and explicitly including:

- **Consider whether the current licence condition that prevents non-domestic suppliers objecting to a switch for debt under deemed contract remains appropriate**.
- **Review whether this guidance is consistent with or complementary to Ofgem's Consumer Outcomes and Licence Simplification initiatives**, whilst ensuring to minimise any duplication or inconsistencies between these initiatives.

By addressing these issues, Ofgem can ensure that competitive distortions in the deemed contract market are minimised whilst allowing suppliers to efficiently recover costs from their deemed customers.

We hope these comments are helpful (detailed response within annex A) and would be pleased to discuss any aspect of this response further.

Yours sincerely



Robert Finch
Head of Regulation
For and on behalf of E.ON UK Limited

Annex A

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 agree with the proposed statement of guidance on the existence of a deemed contract being dependent on a customer's ability to consume energy.

However, we think the guidance needs to address further scenarios. Whilst the guidance refers to cases where the meter has either been disconnected or has never been on site, it is silent on cases where a meter has been de-energised and whether that would constitute a case in which the customer would be considered to have the ability to consume (particularly where the customer is not receptive to contact from their supplier). We believe that for completeness Ofgem should add some additional commentary on this customer scenario (and any others that may be relevant such as cases where meter faults may affect the ability to consume energy as opposed to meter faults that do not affect the ability to consume).

Furthermore, we would request that Ofgem clarify whether this aspect of the guidance reflects its previously held position on when a deemed contract could be said to exist or whether it is a new policy direction and, if the latter, the reasons for such a change.

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

We have some concerns with how this element of the guidance has been set out.

The reference to suppliers taking a 'comparative approach' between deemed customers and contracted customers for bad debt recovery is highly unclear and open to significant variances in interpretation across suppliers. Bad debt recovery risk can be markedly different for deemed customers than it is for contracted customers (where the latter is a known quantity but the former may not be so) and this is reflected in the bad debt provisioning rates for both sets of customers. Therefore, it is not necessarily the case that a comparative approach can or should be taken.

If the guidance is suggesting that deemed pricing should be similar to contracted pricing in terms of following a structured set of logic methodology, whilst tacitly recognising that the bad debt pricing outcomes (i.e. supplier risks) might be different for both groups of customers (due to higher credit risk, operational cost etc), then that would be a reasonable expectation.

However, if the intent and practical effect of the guidance is such that bad debt risk calculations should be comparative between deemed and contracted customers (e.g. that bad debt provisioning rates for deemed customers should be kept within a specific percentage of the rates for contracted customers or even the same across both) then such an approach would effectively mean that suppliers should be socialising their bad debt costs more widely across their customer base and that will only result in a competitive distortion. If this is what Ofgem is proposing then such a change would need considerably more policy development and a clearer articulation of it as opposed to the current proposed amendments to the guidance wording.

Furthermore, the proposed guidance also sets out that recovery of bad debt should be 'reasonable'. What is 'reasonable' in the context of recovery of bad debt is unclear and vague and could be interpreted subjectively by suppliers. It should also be noted that financial provisioning (including for

bad debt) is subject to external audit and any Ofgem view of what is or may be 'reasonable' should align with suppliers' audited view of their forward looking assessment of costs/risks. We believe Ofgem should either remove this from the guidance or better explain what is meant by this and what its expectations are in this regard.

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.

Whilst the proposed text on reminding suppliers of their obligations around customer transfer blocking reflects our current understanding and application of the relevant obligations, we would suggest that Ofgem revisit the issue of whether non-domestic suppliers should in fact be permitted to object to deemed customer contract switches on the basis of debt. The inability of non-domestic suppliers to object for debt for deemed customers results in inefficient recovery of costs and when combined with any further socialisation of debt costs (as per question 2 above) it leads to a significant moral hazard.

We would ask that Ofgem consider the wording contained in paragraph A1.92 ("*The supplier cannot object to deemed contract customer switches on the basis of debt into the deemed contract terms*") as it does not read clearly and seems to conflate two different points (i.e. (i) that suppliers should not be able to object based on debt and (ii) that suppliers should not place a clause or term in their deemed terms allowing them to object for debt).

With reference to the proposed text on delayed switching, whilst we agree with the policy intent we think that the stated expectations are ambiguous and open to interpretation. For example, paragraph A1.98 references 'delays' in switching to a contract rate or to a third party supplier but the incumbent supplier should only need to take the described corrective action where any delay is unreasonable or otherwise unwarranted. Equally, where the customer has at least partially contributed to an unreasonable delay, the supplier should be permitted to factor that into any consideration of rebilling or adjustment of rates to be applied.

Cases where there is a dispute around deemed charging can be varied and no two cases are exactly the same. Complex cases include scenarios where a change of occupier needs to be backdated over a considerable period of time, where there might have been a several occupiers successively during the period of supply under a deemed contract and where the current customer may have relatively poor creditworthiness but is refusing to pay a security deposit. We approach these scenarios on a case-by-case basis looking at the individual merits of each scenario before deciding what level of rebilling or adjustment of rates may be appropriate.

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

We agree with the proposed text setting out the obligations around security deposits under deemed contract arrangements. This reflects our current understanding of the relevant obligations. We broadly agree with the principle that security deposits should be used selectively, as a last resort and only where the supplier has not already accounted for bad debt risk in their deemed rate cost stack.

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

Ofgem does clarify in the guidance that while the domestic price caps (SLC 28.AD) remains in effect, compliance with the cap is alone considered sufficient to satisfy the requirements of SLC 7.3 and 7.4. However, we would still highlight the following two key areas of implication and future risk for domestic customers.

The first relates to the post-price cap regulatory transition. As Ofgem notes, the price cap is a temporary measure. Should the cap be removed or significantly reformed, domestic deemed rates would fall entirely under the remit of this guidance. Suppliers would require a substantial transition period to realign domestic pricing methodologies, cost and risk stacks, and quarterly review processes with the specific requirements outlined in this document (such as the "significantly exceeds" test against equivalent contract rates).

The second relates to customer transfer blocking and debt management. The guidance (with the proposed amendments) helpfully reinforces the distinction between domestic and non-domestic rules regarding debt-related switch blocking. Under SLC 14.4(a), suppliers retain the right to object to a domestic customer transfer on the basis of outstanding deemed contract debt. It is vital that future iterations of this guidance continue to explicitly protect this distinction to prevent an escalation of unrecoverable domestic bad debt, which would ultimately drive up costs for the wider domestic customer base.

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

In principle the guidance is acceptable (subject to the aforementioned points), however, it should not be treated as a back door to further regulation being introduced (i.e. because it is deemed to be an easier and quicker route to adding new rules). If Ofgem believes that there are clear red lines that suppliers must not breach in respect of deemed contracts then those rules should be set out in supply licence condition 7 (following formal consultation with stakeholders).

Furthermore, it is notable that the proposed revisions to the Guidance on Deemed Contracts take that document to almost 15 pages in length. This should be considered in the context of Ofgem's Consumer Outcomes and Licence Simplification initiatives where one of the stated aims is to slim down the licence condition rule-book. We are concerned that an expansive use of guidance would mean that the rule book is not necessarily being reduced but just displaced from the supply licence conditions into other forms such as guidance documents or other letters of direction/opinion thus ultimately increasing the overall size of the rule book.

There may also be crossover between aspects of this guidance and Outcome 1 (energy prices that provide fair value) and Outcome 6 (customer switching) of the Consumer Outcomes project and we would ask that Ofgem keep this under review to avoid any potential duplication and/or conflicting guidance as the Consumer Outcomes reforms are implemented. We believe that the ambiguous treatment of bad debt recovery, security deposits, and delayed switching under the proposed deemed guidance risks undermining cost-reflective pricing and could create uncertainty over "unnecessary" switching barriers.

Finally, Ofgem does not currently curate or maintain its publicly accessible documents effectively and we believe that this needs significant improvement to ensure there is better digital curation and access of relevant documents especially those that are historic but still in force. Ofgem has recently acknowledged the need to do more in this space and this has been well received but we think Ofgem

should prioritise this area of work. We look forward to receiving a codified digital architecture map which reflects how all the various sources of regulation (e.g. historic and future licence conditions, guidance, best practice documents, open letters) hang together and where they can be found. This would be particularly helpful for smaller and new entrants into the market. There is also a need for such arrangements to be maintained and kept current and live.

END