

Contracts

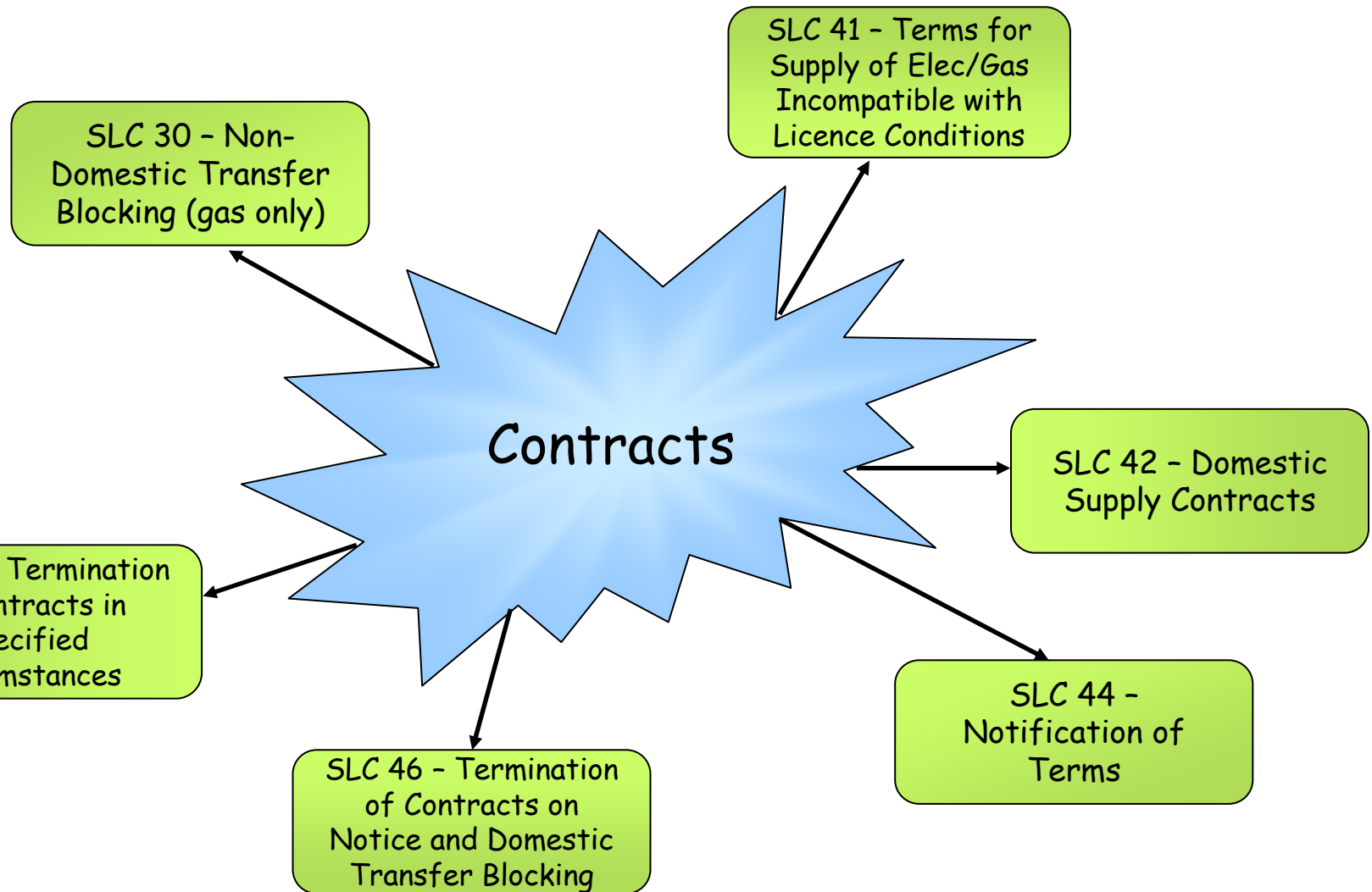
Duty to Supply, Contracts and Information workgroup
12 January 2006

Enterprise Act 2002

- Action where breach harm collective interests of UK Customers
- Apply for injunction
- Seek undertakings before enforcement
- Not retrospective
- Not impose financial penalty

General contract law, **Distance Selling Regulations, Unfair Terms in Consumer Contracts Regulations**, Unfair Commercial Practices Directive, **Doorstep Selling Regulations**

- SLCs more prescriptive than general contract and consumer protection law



SLC 30 – Non-Domestic Transfer Blocking

- Gas Only
- Deregulatory amendment 2003/4
- Allows suppliers and non-domestic customers to determine terms for objection
- Electricity provisions set out in the MRA

- **Initial view - Retain**
 - Customers and suppliers adjusting behaviour
 - Not intend to amend this SLC further

SLC 41 – Terms for Supply of Electricity and Gas Incompatible with Licence Conditions

- Not offer or vary terms in a domestic supply contract or deemed contract incompatible with the licence conditions
- Not enforce or take advantage of the inclusion or omission of terms incompatible with obligations or rights under the licence.
- **Initial view - Remove**
 - Deal with under specific licence breach
 - Authority take into account of impact on customers of omission or inclusion

SLC 42 – Domestic Supply Contracts

- Requirement to supply through contract (inc deemed)
 - Initial view - Retain

- Contract to be in standard form
 - Initial view - Remove
 - Suppliers to define contract form
 - UTCCRs - terms in plain and intelligible language

- Set out all terms and conditions (inc. price) in contract
 - Initial view - Retain
 - Terms agreed orally not included?
 - Customer clarity

SLC 42 – Domestic Supply Contracts (cont.)

- Contract to contain termination provisions
 - Initial view – Retain
 - Alternative to amend the wording of SLC46 and 47?

- Different terms for classes/cases of classes of customer or area
 - Initial view - Remove
 - For suppliers to determine

- Terms as near as may be to those of a deemed contract
 - Initial view – consider at next meeting on deemed contracts.

SLC 42 – Domestic Supply Contracts (cont.)

- Separately identify charges for other supply related goods and services
 - Initial view – Retain
 - Segregate Gas and Electricity Act powers from use in respect of other goods and services

- Transportation adjustments (gas only)
 - Initial view – Retain
 - Relates to charges passed through by virtue of the GT licences.

SLC 44 – Notification of Terms

- Reasonable steps to draw customers attention to principal terms before entering into contract
 - Initial view – Retain
 - Assist customer clarity

- Provide customer with copy of contract terms within 5 days of agreement
 - Initial view – Retain
 - Assist customer clarity

SLC 44 – Notification of Terms (cont.)

- Inform customer at least 30 days prior to contract expiry
 - Initial view – Retain
 - Deemed contract, provide terms under SLC 28 (8)
 - New contract, assume contract negotiation
 - Minimum notice period required for customers to make informed decision

- Customer transfer without effect of disadvantageous unilateral variation if terminate within 14 days of receiving written notice from supplier
 - Initial view – Retain
 - Customer must be informed
 - Retain ability not to incur revised charges in defined circumstances
 - Operation of obligation in practice?
 - Written notice?

SLC 46 – Termination of Contracts on Notice

- Contracts must be terminable on provision of a 28-days notice
 - Initial view – Remove
 - Restrict supplier innovation and investment
 - Not enforced through objections
 - Retain ability to charge termination fees
 - Manage risk as in other markets

- Defined circumstances where a termination fee shall not be demanded e.g. rolling contracts, customer ceases to own / occupy premises and Unilateral variation of terms etc
 - Initial view – Retain?
 - UTCCRs – Termination fees not disproportionately high?

SLC 46 – Termination of Contracts on Notice (cont.)

- Termination fees to be an amount that in all circumstances could reasonably be required
 - **Initial view – Remove**
 - UTCCRs – such payments should not be disproportionately high
 - Rely on injunction

SLC 46 - Domestic Transfer Blocking

- Right to object on grounds of debt
 - Initial view - Remove
 - Reduced debt management incentive
 - Blocks customer access to competition
 - Value of “debt”?
 - Misuse of right to object
 - However
 - Alternative of more security deposits and / or PPM meters?
 - Increase pass through of debt recovery costs?
 - Large final bills?

SLC 46 - Domestic Transfer Blocking (cont.)

- Assignment of charges in respect of PPM customers
 - Initial view – Retain
 - Linked to debt objection debate
 - Increase customer access to market
- Other objection types
 - Initial view – Retain
- Information provision on objection
 - Initial view – Retain
 - Security against misuse of supplier right to object
 - Information required for customer to access competitive market

SLC 47 – Termination of Contracts in Specified Circumstances

- Contract must be terminable when customer cease to occupy/own premises
 - Initial view – Retain
 - Clear guidance for suppliers and customers on liability for energy charges
- Fixed term contracts > 12 months able to be terminated within 5 days of date of contract
 - Initial view – Remove
 - Covered by Distance Selling Regs and Doorstep Selling Regs?
 - Other instances not covered?

SLC 47 – Termination of Contracts in Specified Circumstances (cont.)

- Termination relates to supply of gas / electricity and not other goods and services included in the contract and Security can be demanded for other goods and services
 - **Initial view – Remove**
 - Unclear why customer could not agree to equivalent termination provisions for other goods and services
 - Ability to require security for other goods and services not appropriate for gas / electricity licence

A large, central version of the ofgem logo is positioned in the middle of the slide. It features the word "ofgem" in white lowercase letters on a red rounded rectangular background. The background of the slide is a light blue gradient with a faint image of a power plug and a person sitting at a desk.

Promoting choice and value for all
gas and electricity customers