

# Deemed Contracts

Duty to Supply, Contracts and Information workgroup  
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## Requirement of the Acts

- Where a supplier supplies gas or electricity to premises or a consumer otherwise than in pursuance of a contract, the supplier shall be deemed to have contracted with the consumer for the supply of gas or electricity from the time when he began to supply that gas or electricity
- Customer moves into new property
- Fixed term contract expires (no further provisions)

# Requirement in energy industry

- Inefficient to disconnect on contract termination and reconnect
- Lack of information about house moves
- Costly to pursue through courts if customer dispute contract

# Requirement for regulation

- Not a competitive area
- Customer not expressly agree to terms
- Terms need to be regulated
  - Charges
  - Access to competitive market
    - Objections for debt
- Link to SoLR arrangements

## SLC 28(2) and (3) – Charges

- Should not be unduly onerous
- Definition:
  - a) significantly exceeds the costs of supplying gas or electricity; and
  - b) exceeds such costs of supply by significantly more than the supplier's revenue exceeds costs of supply in the case of the generality of its domestic customers or non-domestic customers, as appropriate (except where customers are supplied in accordance with SLC 29 (Supplier of Last Resort))
- Initial view – Retain
- Exclude marketing, promotional and advertising costs?

## SLC28(5) and (6) – Transparency

- Requirement to send copy of deemed contract terms to Authority
- **Initial view - Remove**
- Requirement to send copy of deemed contract terms to any person that asks
- **Initial view – Retain**
  - Not a competitive area
  - Customer not expressly chosen terms
  - Transparency required to provide information to customers
- (some redrafting required?)

## SLC 28(7) – Link to SoLR

- Include provisions required under SLC29 (Supplier of Last Resort) when in relation to deemed contract supply under a last resort direction
- Initial view – Principle correct but is it needed/helpful?

# SLC 28(8) – Information for customers

- Reasonable endeavours to provide principal terms
- **Initial view – Retain**
- Inform of availability of domestic supply contracts and how enter arrangements
- **Initial view - Retain**
  - Requirement to provide in writing?
- Summary of other contract principal terms
  - For all suppliers?
  - Commercial reasons?



## SLC 28(9) – Terms for Deemed Contracts

- Required terms
  - Security and emergency arrangements (gas only),
  - Contracts to be terminable on appointment of a SoLR,
  - Security deposits,
  - Termination where a customer ceases to own or occupy a premise, and
  - Deemed contracts to be terminable at the point where a supply is taken under contract from the incumbent or new supplier
  
- Initial view – Retain if helpful to suppliers to have in one place

## SLC 28(10) – Termination

- Suppliers allowed to include additional termination provisions that do not derogate from those required in the rest of the SLC28
- (subject to incorrect references to termination under SoLR arrangements)
- Is this required?

## SLC 28(11) – Estimating consumption

- Act allows suppliers to estimate
- Requirement to act reasonably using relevant information
- Estimation likely to be a feature of deemed contracts
- **Initial view - Retain**

## SLC 28(12) – Different rules for SoLR

- If deemed contract in place due to SoLR direction then SLC 28 not applicable for
  - level of tariffs and
  - provision of information on standard contract terms to customers
- SLC29 set own rules for deemed contract tariff levels
- Why not provide info on standard contract terms?

## SLC 42(4) – Link between deemed contract and domestic supply contract

- Domestic supply contracts to include terms that correspond (as near as may be) to those that allow estimating consumption under deemed contracts from start of contract.
- Useful where customer move from deemed contract to domestic supply contract?

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