



Secretary of State, Holders of
Gas and Electricity Supply
Licences, consumers and their
representatives, consumer bodies
and other interested parties

*Promoting choice and value for
all gas and electricity customers*

Direct Dial: 020 7901 7291
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15 July 2010

Dear Colleagues

NOTICE OF PROPOSED MODIFICATIONS IN RELATION TO THE DISCONNECTION OF VULNERABLE CUSTOMERS TO THE STANDARD CONDITIONS OF:

- **THE ELECTRICITY SUPPLY LICENCE UNDER SECTION 11A OF THE ELECTRICITY ACT 1989,**
- **THE GAS SUPPLY LICENCE UNDER SECTION 23 OF THE GAS ACT 1986**

Ofgem's review of protection for vulnerable customers from disconnection, published in October 2009, consulted on a number of amendments to the existing Standard Licence Conditions (SLCs) concerning disconnection¹. In light of the responses to this consultation, Ofgem published an informal consultation on 26 March 2010 in which it signalled that it was minded to progress with the proposal to amend the gas and electricity SLCs to clarify that licensees are obliged to take all reasonable steps to ascertain the status of a customer and the occupants of any affected domestic premises before disconnection.

Having considered the responses to our consultation and having regard to the principal objective and statutory duties of the Authority and for the reasons set out in this letter, the Authority is now proposing to proceed with a statutory consultation on the proposed insertion of SLC 27.11(A).

Background

Ofgem's principal objective is to protect the interests of existing and future gas and electricity consumers. The interests of such consumers are their interests taken as a whole, including their interests in the reduction of greenhouse gas and in security of the supply of gas and electricity to them. In carrying out our functions we must also have regard to, amongst other things, the interests of vulnerable consumers, including those who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.

Ensuring that there is sufficient and appropriate protection in place to prevent vulnerable customers from being disconnected is critically important, particularly in these challenging economic times. With this in mind, Ofgem carried out a review of protection for vulnerable customers from disconnection jointly with Consumer Focus in 2009. This review was part of a wider project on debt and disconnection, the second part of which related to suppliers' approaches to debt management and was published in June 2010².

¹ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=139&refer=Sustainability/SocAction/Publications>
² <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=151&refer=Sustainability/SocAction/Publications>

Our review of the protections for vulnerable customers from disconnection identified that whilst there is a large amount of good practice across suppliers and suppliers' policies and procedures to identify vulnerable customers and prevent them from being disconnected were largely satisfactory, there were some areas of weakness and inconsistencies between suppliers that needed to be addressed. One of the ways in which we are addressing these is by clarifying suppliers' obligations under their licences with regard to disconnection. The existing licence conditions relating to the disconnection of vulnerable customers are attached in Appendix 1.

Following responses to our review, Ofgem published an informal consultation on 26 March 2010 seeking views on our proposal to amend SLC 27.10 and SLC 27.11 to make it clearer that suppliers are obliged to take all reasonable steps to ascertain the status of a customer and the occupants of any affected domestic premises before disconnection.

We also signalled in this informal consultation that we were not minded to proceed with amendments to the gas and electricity supply licences requiring that where a supplier has disconnected a vulnerable customer's premises at a time of year other than Winter, the supplier should reconnect the premises before Winter. We also signalled that we were not minded to consolidate SLCs 27.10 and 27.11.

In light of the responses to this consultation, Ofgem has decided to progress with its proposal to clarify that licensees are obliged to take all reasonable steps to ascertain the status of a customer and the occupants of any affected domestic premises before disconnection.

Summary of responses

Ofgem received 12 responses on this issue. Non-confidential responses have been placed on the Ofgem website³.

Reasonable steps to identify the status of customers before disconnecting

All respondents agreed with our proposal to insert SLC 27.11(A); namely to clarify that licensees are obliged to take all reasonable steps to ascertain the status of a customer and the occupants of any affected domestic premises before disconnection. One respondent considered that it was essential that Ofgem issued formal guidance on what Ofgem considered were such reasonable steps, as not all suppliers are signatories to the ERA Safety Net.

Reconnection of vulnerable customers before Winter

Five respondents were concerned that we were not progressing with an explicit requirement that where a supplier has disconnected a vulnerable customer's premises at a time of year other than winter, the supplier should reconnect the premises before winter. These respondents considered that such an explicit requirement would make it clearer that suppliers were required to reconnect vulnerable customers before winter and considered that this would complement the ERA Safety Net measures that are currently in place. One of the respondents also considered that wrongful disconnections would be further reduced if there was an explicit obligation to reconnect.

Consolidation of SLCs 27.10 and 27.11

In respect of consolidating SLCs 27.10 and 27.11, most respondents agreed that these two licence conditions should not be consolidated on the basis that there is no substantive difference between the levels of protection provided by the two conditions. One respondent considered that the two groups of customers are linked, but distinct, and the level of protection from the ERA Safety Net effectively applies equally to each group of customer.

³ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=150&refer=Sustainability/SocAction/Publications>

However, some respondents considered that consolidating these licence conditions would provide clearer protection for those customers separately covered in the two licence conditions. It was considered by some of the respondents that, in order to remove any ambiguity, there should be no distinction between the levels of protection in the two licence conditions.

Ofgem's view

Reasonable steps to identify the status of customers before disconnecting

Having considered the responses to the consultation we have decided to proceed with the proposal of inserting SLC 27.11(A) to clarify that licensees are obliged to take all reasonable steps to ascertain the status of a customer and the occupants of any affected domestic premises before disconnection.

Ofgem also considers that the revised wording to these SLCs will help clarify suppliers' obligations where a smart meter has been installed and remote disconnection is possible. In these circumstances the duty "to take all reasonable steps to identify" will help ensure that suppliers do not remotely disconnect vulnerable customers in error.

In our informal consultation in March this year, Ofgem set out examples of the sort of proactive steps that we would generally expect suppliers to follow in respect of identifying the status of customers before disconnecting.

Reconnection of vulnerable customers before Winter

Given some respondents' views on reconnecting vulnerable customers before Winter, we are currently looking at this issue further.

Consolidation of SLCs 27.10 and 27.11

Ofgem is proposing not to consolidate the two licence conditions on the basis that our proposal to make it clear that suppliers are required to take all reasonable steps to identify the status of customers and the occupants of any affected premises prior to exercising any right to disconnection in the circumstances covered by SLC 27.10 and 27.11 means that there is no longer any substantive difference between the levels of protection provided by the two licence conditions in this respect.

Proposed modification

Subject to consideration of any representations or objections to the notice of proposed modifications outlined above and attached, and having regard to the Authority's principal objective and statutory duties, the Authority proposes to modify the Licences as per the accompanying notices.

The proposed licence modification to insert SLC 27.11(A) is set out in Appendix 1 of this statutory notice detailing the modification that Ofgem is proposing to make to the Electricity and Gas Supply SLCs under section 23 of the Gas Act 1986 and under section 11A(3) of the Electricity Act 1989 which accompany this letter.

As confirmed in the Notice, any representations or objections should be made to Ofgem by **26 August 2010**. Subject to any representations, Ofgem aims to modify the licence in September 2010.

Any representations or objections should be sent to:

Liz Chester
Social Policy Manager
Ofgem
9 Millbank
London
SW1P 3GE
liz.chester@ofgem.gov.uk
020 7901 7403

If you have any comments or questions on this letter, please contact Liz Chester or Claire Tyler (020 7901 7331; Claire.tyler@ofgem.gov.uk).

Yours faithfully

Maxine Frerk
Partner, Sustainable Development

Appendix 1: Standard Licence Conditions 27.10 and 27.11

The following shows the current licence conditions with the proposed amendments underlined.

Standard Licence Condition 27. Payments, Security Deposits and Disconnections

Disconnection for unpaid charges

27.10 The licensee must not Disconnect, in Winter, a Domestic Premises at which the Domestic Customer has not paid Charges for the Supply of Gas [Electricity] if it knows or has reason to believe that the customer is of Pensionable Age and lives alone or lives only with persons who are of Pensionable Age or under the age of 18.

27.11 The licensee must take all reasonable steps to avoid Disconnecting, in Winter, a Domestic Premises at which the Domestic Customer has not paid Charges for the Supply of Gas [Electricity] if the occupants of the premises include a person who is of Pensionable Age, disabled or chronically sick and to whom paragraph 27.10 does not apply.

27.11(A) The licensee shall, before it exercises any right it may have to Disconnect a Domestic Premises, take all reasonable steps to ascertain whether:

- (i) the relevant Domestic Customer falls within the scope of SLC 27.10; or
- (ii) the restriction on its right to disconnect in accordance with SLC 27.11 applies.

NB: This is the wording from the Standard Licence Condition of the gas supply licence with differences in the Standard Licence Condition of the electricity supply licence given in [square brackets].

NOTICE OF PROPOSED MODIFICATION OF THE STANDARD CONDITIONS OF THE GAS SUPPLY LICENCE UNDER SECTION 23(3) OF THE GAS ACT 1986

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 23(3) of the Gas Act 1986 ("the Act") as follows:

1. The Authority proposes to modify all gas supply licences granted or treated as granted under section 23 of the Act by inserting SLC 27.11(A) to include an obligation on licensees to take all reasonable steps to ascertain the status of a customer and the occupants of any affected domestic premises before disconnection.
2. The reason why the Authority proposes to make this licence modification is to clarify that licensees are obliged to take all reasonable steps to ascertain the status of a customer and the occupants of any affected domestic premises before disconnection.
3. Relevant licence holders for the purposes of this Notice are all holders of a gas supply licence at the relevant time with Standard Condition 27 in force.
4. A pro forma that relevant licence holders may wish to use in order to register a statutory objection is appended to this notice.
5. A copy of the proposed modification(s) and other documents referred to in this notice are available (free of charge) from the Ofgem library (telephone 020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk).
6. Any representations or objections to the proposed licence modifications may be made on or before 26 August 2010 to: Liz Chester, Social Policy Manager, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to liz.chester@ofgem.gov.uk
7. All responses will normally be published on Ofgem's website and held in the Research and Information Centre. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.

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Maxine Frerk

**Duly authorised on behalf of the
Gas and Electricity Markets Authority**

15 July 2010

NOTICE OF PROPOSED MODIFICATION OF THE STANDARD CONDITIONS OF THE ELECTRICITY SUPPLY LICENCE UNDER SECTION 11A(3) OF THE ELECTRICITY ACT 1989

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 11A(3) of the Electricity Act 1989 ("the Act") as follows:

1. The Authority proposes to modify all electricity supply licences granted or treated as granted under section 11A(3) of the Act by inserting SLC 27.11(A) to include an obligation on licensees to take all reasonable steps to ascertain the status of a customer and the occupants of any affected domestic premises before disconnection.
2. The reason why the Authority proposes to make this licence modification is to clarify that licensees are obliged to take all reasonable steps to ascertain the status of a customer and the occupants of any affected domestic premises before disconnection.
3. Relevant licence holders for the purposes of this Notice are all holders of electricity supply licence at the relevant time with Standard Condition 27 in force.
4. A pro forma that relevant licence holders may wish to use in order to register a statutory objection is appended to this notice.
5. A copy of the proposed modification and other documents referred to in this notice are available (free of charge) from the Ofgem library (telephone 020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk).
6. Any representations or objections to the proposed licence modifications may be made on or before 26 August 2010 to: Liz Chester, Social Policy Manager, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to liz.chester@ofgem.gov.uk
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Maxine Frerk

**Duly authorised on behalf of the
Gas and Electricity Markets Authority**

15 July 2010

Suggested pro forma to register a statutory objection for statutory CLMs

Proposed Modification of Standard Licence Condition 27.11

Insertion of SLC 27.11(A) in Gas and Electricity Supply Licences to include an obligation on licensees to take all reasonable steps to ascertain the status of a customer and the occupants of any affected domestic premises before disconnection.

In response to the statutory notice dated 15 July 2010 in respect of the above proposed modification, this notice constitutes a statutory objection to that proposal on behalf of **[state full name of each relevant licence holder making the objection]**. I confirm that I am duly authorised to give this notice on behalf of each of the above named companies.

[Signed]

Date:

[Address for acknowledgement, preferably including email address]