

Graham Kirby  
Retail Regulation Manager

E.ON Energy Solutions Limited  
Newstead Court  
Little Oak Drive  
Sherwood Park  
Annesley  
Nottinghamshire  
NG15 ODR

Date: 17 June 2014

Dear Mr Kirby

### **Request for derogation – WarmAssist Fixed**

This letter sets out the Authority's decision to grant the Licensee temporary derogations from certain standard licence conditions (SLC) of its electricity and gas supply licences in respect of the Licensee's WarmAssist Fixed (WAF) tariff, which is described below.

The Directions are attached. These will be published on our website and shall remain in force until such date as presented in the Schedules thereto, for each respective licence condition, unless revoked earlier or varied in writing by the Authority. Any change in circumstances relevant to the derogations must be reported to the Authority as soon as possible.

This letter constitutes the Notice under section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986 of the reasons for the Authority's decision to issue the attached Directions. Capitalised terms used in this letter, which are not defined herein, have the meaning given to them in SLC 1 of the electricity and gas supply licences.

### **Background to Derogation Request**

On 24 February 2014, the Licensee informed the Authority of their commercial decision to close the WAF tariff. On 09 May 2014, the Licensee submitted a request for derogation from certain SLCs to enable them to minimise the stress on WAF customers during the tariff closure process.

The WAF tariff had, as of May 2014, 11,541 customers and is closed to new customers. The customer group is comprised of elderly people on benefits and over 80s on low income. As of May 2014 the WAF tariff was 22.7 per cent cheaper than the Licensee's standard variable product (E.ON Energy Plan), and 20.3 per cent cheaper than the Licensee's closest live fixed term product (the E.ON Energy Fixed 1 Year v6). For dual fuel customers with an unrestricted meter, the average annual usage is 4,993 kWh for electricity and 28,173 kWh for gas. The average saving relative to E.ON Energy Plan is £516 a year.

The final closure of the WAF will take place on 14 July 2015, with the last renewal notices sent to customers on 29 May 2014 and the last renewal of WAF contracts taking place on 13 July 2014. Customers who have been automatically renewed on or before 13 July 2014 will continue on the WAF tariff until the end of the contract term. Customers will then be moved onto E.ON's variable tariff (the E.ON Energy Plan).

The Licensee has put in place a financial mitigation which includes crediting each WAF customer's account with £280 and talking to all customers to offer a benefit health check, including eligibility for Warm Homes Discount, energy efficiency advice, and if appropriate, ECO measures.

Without the requested derogation, the Licensee would not be able to renew WAF tariff contracts of existing customers where such customers had not signaled an intention to switch tariff or supplier. Instead, customers would likely be moved onto the Relevant Cheapest Evergreen Tariff, which is more expensive.

### **The Authority's Decision**

Having regard to our principal objective and statutory duties, including our duty to have regard to the interests of vulnerable consumers including individuals who are disabled or chronically sick, of pensionable age or on low incomes, we consider that:

1. the impact on consumers as a whole as a result of granting the derogation is likely to be minimal given the limited number of customers subscribed to this tariff, which is supported by the fact that this tariff is not offered to new customers and will be closed in July 2015; and
2. the WAF tariff is cheaper than the Licensee's Alternative Cheapest Tariff, and consumers on this tariff are elderly people on benefits and over 80s on low income, who are likely to benefit from the lower costs associated with this tariff.

Therefore, the Authority grants the Licensee a derogation from certain conditions of its electricity and gas supply licences (as specified in, and subject to the terms of, the attached Directions) in relation the Licensee's WAF tariff.

If you would like to discuss any aspects of this letter, please contact Jibirila Leinyuy on 0203 263 9624 ([Jibirila.leinyuy@ofgem.gov.uk](mailto:Jibirila.leinyuy@ofgem.gov.uk)) or [RetailMarket.Review@ofgem.gov.uk](mailto:RetailMarket.Review@ofgem.gov.uk).

Yours sincerely,

**Maxine Frerk**  
**Partner, Retail Markets and Research**

**ATTACHMENT 1  
ELECTRICITY SUPPLY LICENCE**

E.ON Energy Solutions Limited  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG

**Direction issued to E.ON Energy Solutions Limited (company number 03407430, the "Licensee") by the Gas and Electricity Markets Authority (the "Authority") pursuant to Standard Licence Conditions 22A.4 and 22C.10 of the Licensee's electricity supply licence – WarmAssist Fixed Tariff**

1. This Direction is issued by the Gas and Electricity Markets Authority (the "**Authority**") pursuant to Standard Licence Conditions (SLC) 22A.4 and 22C.10 of the Licensee's electricity supply licence (the "**Licence**").
2. Capitalised terms used in this Direction which are not defined in this Direction shall have the meaning given to them in SLC 1 of the Licence.
3. In this Direction "**WarmAssist Fixed Tariff**" means the Licensee's one year fixed bill tariff of the same name for elderly customers on social benefits or on a low income, which is a Closed Fixed Term Tariff.
4. SLC 22A.4 and 22C.10 of the Licence provide that the Authority may issue directions relieving the Licensee of its obligations to comply with SLC 22A and 22C respectively to such extent and subject to such conditions as the Authority may direct.
5. The considerations and rationale of the Authority's decision are set out in the accompanying letter to the Licensee, dated 17 June 2014.
6. Subject to the conditions in this Direction (including the Schedule hereto) and pursuant to SLC 22A.4 and 22C.10, the Authority hereby directs that in relation to the WarmAssist Fixed Tariff only the Licensee is relieved of certain obligations of its Licence, as described in the Schedule hereto.
7. The Licensee is required to report any change of circumstances relevant to this Direction to the Authority.
8. This Direction shall apply in accordance with the derogation periods specified in the Schedule hereto, unless revoked earlier or varied in writing by the Authority.

Dated: 17 June 2014

**Maxine Frerk**  
**Partner, Retail Markets and Research**

Signed on behalf of the Authority and authorised for that purpose.

**Schedule – Derogations from electricity supply Standard Licence Conditions**

	<b>Standard Condition</b>	<b>Effect of derogation pursuant to this Direction in respect of the licensee’s WarmAssist Fixed Tariff</b>	<b>Derogation period (dates below are inclusive)</b>
1.	22A.2	This paragraph shall be disapplied, provided that the licensee must ensure that all Charges for Supply Activities are incorporated within the WarmAssist Fixed Tariff fixed bill amount.	From: 31.12.13 To: 13.07.15
2.	22A.3	This paragraph shall be disapplied.	From: 31.12.13 To: 13.07.15
3.	22C.3	This paragraph shall be disapplied.	From: 19.05.14 To: 29.05.14  See below for relevant derogations which apply in respect of the transitional provisions which apply to SLC 22C prior to 19 May 2014.
4.	22C.4	This paragraph shall be replaced with the following text:  “22C.4 The licensee must: (a) provide the Domestic Customer with a Notice on a date which is no earlier than 49 days and no later than 42 days before the fixed term period of their Fixed Term Supply Contract is due to end; and (b) ensure that the Notice provided pursuant to sub-paragraph 22C.4(a) informs the Domestic Customer that the fixed term period is due to end and what will happen if they do not change supplier or expressly agree a new Domestic Supply Contract.”	From: 19.05.14 To: 29.05.14
5.	22C.5	This paragraph shall be replaced by the following text:  “22C.5 In relation to any Fixed Term Supply Contract, the licensee may only extend the duration of that Contract for a further fixed term period (with or without any changes to other terms and conditions, including the Charges for the Supply of Electricity) if: (a) the licensee has complied with paragraph 22C.4; and (b) the duration of the further fixed term period is no longer than 12	From: 19.05.14 To: 13.07.14

	<b>Standard Condition</b>	<b>Effect of derogation pursuant to this Direction in respect of the licensee's WarmAssist Fixed Tariff</b>	<b>Derogation period (dates below are inclusive)</b>
		months."	
6.	22C.7	This paragraph shall be disapplied.	From: 23.10.13 To: 13.07.14
7.	22C.3 (as temporarily modified by 22CA.1)	This paragraph shall be disapplied	From: 23.10.13 To: 18.05.14
8.	22C.4 (as temporarily modified by 22CA.2)	This paragraph shall be replaced with the following text:  "22C.4 The licensee must: (a) provide the Domestic Customer with a Notice on a date which is no earlier than 49 days and no later than 42 days before the fixed term period of their Fixed Term Supply Contract is due to end; and (b) ensure that the Notice provided pursuant to sub-paragraph 22C.4(a) informs the Domestic Customer that the fixed term period is due to end and what will happen if they do not change supplier or expressly agree a new Domestic Supply Contract."	From: 23.10.13 To: 18.05.14
9.	22C.5 (as temporarily modified by 22CA.3)	This paragraph shall be replaced by the following text:  "22C.5 In relation to any Fixed Term Supply Contract, the licensee may only extend the duration of that Contract for a further fixed term period (with or without any changes to other terms and conditions, including the Charges for the Supply of Electricity) if: (a) the licensee has complied with paragraph 22C.4; and (b) the duration of the further fixed term period is no longer than 12 months."	From: 23.10.13 To: 18.05.14
10.	31A.9-31A.17 Schedule 4 to 31A  31E.1-31E.5	These paragraphs and schedule shall be disapplied.	From: 31.03.14 To: 13.07.15
11.	31E.7-31E.9	These paragraphs shall be disapplied.	From: 23.10.13 To: 13.07.15
12.	31B 31C	These conditions shall be disapplied.	From: 31.03.14 To: 13.07.15

**ATTACHMENT 2  
GAS SUPPLY LICENCE**

E.ON Energy Solutions Limited  
Westwood Way  
Westwood Business Park  
Coventry  
CV4 8LG

**Direction issued to E.ON Energy Solutions Limited (company number 03407430, the "Licensee") by the Gas and Electricity Markets Authority (the "Authority") pursuant to Standard Licence Conditions 22A.4 and 22C.10 of the Licensee's gas supply licence – WarmAssist Fixed Tariff**

1. This Direction is issued by the Gas and Electricity Markets Authority (the "**Authority**") pursuant to Standard Licence Conditions (SLC) 22A.4 and 22C.10 of the Licensee's gas supply licence (the "**Licence**").
2. Capitalised terms used in this Direction which are not defined in this Direction shall have the meaning given to them in SLC 1 of the Licence.
3. In this Direction "**WarmAssist Fixed Tariff**" means the Licensee's one year fixed bill tariff of the same name for elderly customers on social benefits or on a low income, which is a Closed Fixed Term Tariff.
4. SLC 22A.4 and 22C.10 of the Licence provide that the Authority may issue directions relieving the Licensee of its obligations to comply with SLC 22A and 22C respectively to such extent and subject to such conditions as the Authority may direct.
5. The considerations and rationale of the Authority's decision are set out in the accompanying letter to the Licensee, dated 17 June 2014.
6. Subject to the conditions in this Direction (including the Schedule hereto) and pursuant to SLC 22A.4 and 22C.10, the Authority hereby directs that in relation to the WarmAssist Fixed Tariff only the Licensee is relieved of certain obligations of its Licence, as described in the Schedule hereto.
7. The Licensee is required to report any change of circumstances relevant to this Direction to the Authority.
8. This Direction shall apply in accordance with the derogation periods specified in the Schedule hereto, unless revoked earlier or varied in writing by the Authority.

Dated: 17 June 2014

**Maxine Frerk**  
**Partner, Retail Markets and Research**

Signed on behalf of the Authority and authorised for that purpose.

**Schedule – Derogations from gas supply Standard Licence Conditions**

	<b>Standard Condition</b>	<b>Effect of derogation pursuant to this Direction in respect of the licensee’s WarmAssist Fixed Tariff</b>	<b>Derogation period (dates below are inclusive)</b>
1.	22A.2	This paragraph shall be disapplied, provided that the licensee must ensure that all Charges for Supply Activities are incorporated within the WarmAssist Fixed Tariff fixed bill amount.	From: 31.12.13 To: 13.07.15
2.	22A.3	This paragraph shall be disapplied.	From: 31.12.13 To: 13.07.15
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4.	22C.4	This paragraph shall be replaced with the following text:  “22C.4 The licensee must: (a) provide the Domestic Customer with a Notice on a date which is no earlier than 49 days and no later than 42 days before the fixed term period of their Fixed Term Supply Contract is due to end; and (b) ensure that the Notice provided pursuant to sub-paragraph 22C.4(a) informs the Domestic Customer that the fixed term period is due to end and what will happen if they do not change supplier or expressly agree a new Domestic Supply Contract.”	From:19.05.14 To: 29.05.14
5.	22C.5	This paragraph shall be replaced by the following text:  “22C.5 In relation to any Fixed Term Supply Contract, the licensee may only extend the duration of that Contract for a further fixed term period (with or without any changes to other terms and conditions, including the Charges for the Supply of Gas) if: (a) the licensee has complied with paragraph 22C.4; and (b) the duration of the further fixed term period is no longer than 12 months.”	From:19.05.14 To: 13.07.14
6.	22C.7	This paragraph shall be disapplied.	From:23.10.13 To: 13.07.14

	<b>Standard Condition</b>	<b>Effect of derogation pursuant to this Direction in respect of the licensee's WarmAssist Fixed Tariff</b>	<b>Derogation period (dates below are inclusive)</b>
7.	22C.3 (as temporarily modified by 22CA.1)	This paragraph shall be disapplied	From: 23.10.13 To: 18.05.14
8.	22C.4 (as temporarily modified by 22CA.2)	This paragraph shall be replaced with the following text:  "22C.4 The licensee must: <ul style="list-style-type: none"> <li>(a) provide the Domestic Customer with a Notice on a date which is no earlier than 49 days and no later than 42 days before the fixed term period of their Fixed Term Supply Contract is due to end; and</li> <li>(b) ensure that the Notice provided pursuant to sub-paragraph 22C.4(a) informs the Domestic Customer that the fixed term period is due to end and what will happen if they do not change supplier or expressly agree a new Domestic Supply Contract."</li> </ul>	From: 23.10.13 To: 18.05.14
9.	22C.5 (as temporarily modified by 22CA.3)	This paragraph shall be replaced by the following text:  "22C.5 In relation to any Fixed Term Supply Contract, the licensee may only extend the duration of that Contract for a further fixed term period (with or without any changes to other terms and conditions, including the Charges for the Supply of Gas) if: <ul style="list-style-type: none"> <li>(a) the licensee has complied with paragraph 22C.4; and</li> <li>(b) the duration of the further fixed term period is no longer than 12 months."</li> </ul>	From: 23.10.13 To: 18.05.14
10.	31A.9-31.A17 Schedule 4 to 31A  31E.1-31E.5	These paragraphs and schedule shall be disapplied.	From: 31.03.14 To: 13.07.15
11.	31E.7-31E.9	These paragraphs shall be disapplied.	From: 23.10.13 To: 13.07.15
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