

Suppliers, consumer groups and
other interested parties

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Dear Colleague,

Guidance on the classification of premises for the purposes of the standard conditions of the gas and electricity supply licences

This letter relates to domestic customers being classified as non-domestic customers in instances where this is not appropriate. We reiterate the position set out in our 2002 guidance¹ and 2012 decision² regarding the classification of premises for the purposes of the standard conditions (specifically SLC 1 and 6) of the gas supply licence and clarify that this also applies to electricity.

In our 2012 decision, we clarified that the non-commercial collective purchase of gas supplied to a single meter point for wholly or mainly domestic use should be classified as supply for domestic purposes, if the terms between end users and the entity supplied are non-commercial in nature. This includes non-standard residency structures, where

- (a) gas is supplied to the relevant premises by a single meter point;
- (b) the supply of gas to the relevant premises is for wholly or mainly domestic use;
- (c) the owners and/or tenants of the relevant premises have direct control over the entity that enters into a contract with the licensee for the supply of gas; and
- (d) the agreement between the entity that enters into a contract with the licensee for the supply of gas to the relevant premises and any other person for the provision of gas at that premises is not commercial in nature.

As the definitions of domestic and non-domestic premises are the same in the gas and electricity supply licences, we consider that these clarifications also apply to electricity. We consider that these clarifications are necessary and consistent with our duty to protect the interests of present and future consumers. We also note that while we are clarifying our view, we are not introducing any changes to the current arrangements. We expect suppliers to treat current and future customers fairly and to follow our previous guidance and decision on this issue.

¹ See annex 1

² <https://www.ofgem.gov.uk/ofgem-publications/38443/classofpremisesdecisionletter.pdf>

If you would like to discuss any of the issues raised in this letter, please contact Katherine Harris on 0203 263 9610 or at katherine.harris@ofgem.gov.uk.

A handwritten signature in black ink that reads "NBarnes." The signature is written in a cursive, flowing style.

Neil Barnes
Associate Partner, Retail Markets

Annex 1

Ofgem's interpretation of the definition of the terms 'domestic customer' and 'domestic premises' as they appear in the gas and electricity supply licences.

Background

In July 2000 Ofgem consulted on proposals to use a simple common definition of 'small customers' for both gas and electricity markets. This consultation was the result of concerns that some customers, using gas and electricity for domestic purposes, were being denied regulatory protection appropriate to domestic users by the application of volume related thresholds, and also that the obligations to protect domestic customers were different in gas and electricity supply licences.

Following the implementation of the Utilities Act new supply licences were published in October 2001 and in these the DTI adopted the following common definitions:

'domestic customer' means a customer supplied or requiring to be supplied with gas or electricity at domestic premises (but excluding such customer in so far as he is supplied or requires to be supplied at premises other than domestic premises)

'domestic premises' means premises at which a supply is taken wholly or mainly for domestic purposes

Ofgem has been asked by suppliers and Industrial and Commercial (I&C) customers to clarify its interpretation of the terms 'domestic customer' and 'domestic premises' as they are used in the gas and electricity supply licences. In particular, we are asked how they apply to commercial businesses providing residential services, such as nursing or care homes, and to residential landlords, including local authorities. These businesses and landlords have to date benefited from the wider pricing options available to I&C customers.

Ofgem view

Ofgem believes that changes in the definition of 'domestic customer' and 'domestic premises' were not intended to extend regulatory protection appropriate for domestic customers to I&C customers, whether or not they are in business to provide residential or accommodation services. Ofgem believes that the provision of such services should not be regarded as a 'domestic purpose'. Consequently, where gas and electricity is supplied in connection with services on a commercial basis (including residential or accommodation services), Ofgem expects that I&C contract terms will continue to apply.

Where the interpretation of 'domestic customer' and 'domestic premises' remains in dispute, Ofgem may, upon application and if appropriate, determine whether a customer should be treated as domestic or I&C.

March 2002