

Domestic energy suppliers,
consumer groups and other
interested parties

Date: 28 May 2015

Open letter – Treatment of domestic households that do not use gas

Ofgem takes seriously the fair treatment of households who have a gas meter but do not use gas. Since early 2014, we have listened to concerns from a range of stakeholders, including MPs, consumer groups and consumers directly.¹ These concerns centred on the supplier practices of applying standing charges and charging for the removal of meters for zero gas users.² Our work in this area is aimed at delivering better quality of service and better social outcomes.

Last year we challenged the six largest suppliers to review how they meet the needs of zero gas users, particularly those in vulnerable situations. We are pleased there has been a positive response from these suppliers who supply gas to almost 19 million domestic households.

This letter shares a summary of the key practices the six largest suppliers will now apply to vulnerable consumers who do not use gas.³ Some suppliers have gone further in applying some of these practices to all households. As a result of these new practices, zero gas users are now being treated more fairly.

Key practices

The six largest suppliers have all adopted the following practices for households in vulnerable situations:

- **Practice 1** – Take reasonable steps to communicate options available to households who do not require a gas supply.
- **Practice 2** – Do not recover a standing charge from households who have not entered into an express contract and have never consumed gas at the premises.
- **Practice 3** – Offer to remove the meter for free for households who do not intend to use gas in the future, if such action is required.

Further details on the practices of the six largest suppliers can be found in Annex 1. Consumer groups may find this information helpful when advising their clients on the treatment consumers can expect. These examples are also designed to help generate further thinking amongst suppliers on how best to treat this category of households.

¹ In June 2014, we published our open letter on the treatment of low and zero gas users available [here](#).

² In this letter we have defined zero gas users households who have never consumed gas before and also households that may have used gas in the past but do not require a gas supply at their property now or in the future.

³ Our Consumer Vulnerability Strategy outlines our definition of vulnerability as a flexible notion, [see here](#). Note each supplier has their own approach to identifying vulnerable consumers.

We encourage all suppliers, including smaller suppliers, to consider these examples in the light of their own business and consumer needs, and to continue pushing themselves to deliver fair treatment to all households. In line with their licence obligation to treat consumers fairly, all suppliers need to keep their approach to households who do not use gas under review, for example by considering the learnings from consumer research and complaints data.

If you would like to discuss any of the issues raised in this letter, please contact Sweta Deb at Sweta.Deb@ofgem.gov.uk or on 020 7901 7000.

Yours sincerely,

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

Neil Barnes
Associate Partner, Retail Markets

Annex 1 – Practices relating to households that do not use gas

We have focused our attention on the treatment of zero gas users in the domestic sector. This includes households that have never consumed gas and those that do not require a gas supply going forward. This focus is largely driven by complaints and general correspondence, which highlighted a number of concerns about the fairness of some households having to pay a standing charge that do not use gas at their domestic premises. These households will typically have a gas meter in their property but use electricity for heating and cooking. Particular concerns have been raised for households in vulnerable situations.

Following engagement with the larger suppliers and continuing complaints in this area, the six largest suppliers will apply three key practices to vulnerable consumers who do not use gas. These are outlined below. We have also outlined specific examples of the six largest suppliers' practices.⁴ Some suppliers have gone further in applying some of these practices to all households, regardless of their vulnerability.

Practice 1 – Take reasonable steps to communicate options available to households who do not require a gas supply.

In practice this means:

- **For households who have *never* consumed gas at their domestic premises**, suppliers encourage those who are not on an express contract⁵ to confirm whether they require gas at the property and to inform the supplier if they start using gas.
- **For households who *do not intend* to use gas in the future**, suppliers take reasonable steps to communicate all options available to households.

We think that suppliers should consider having clear and accessible messaging available in these circumstances. This could include messaging in welcome packs when people move into a new property, signposting during relevant telephone conversations and messaging on supplier websites.

Suppliers should also consider ways they can aid consumer representatives, such as Citizens Advice, in more proactively providing relevant information on options available to households in vulnerable situations who use zero gas. To ascertain a household's future gas needs, suppliers should also consider advising zero gas use households of the merits of, and available support mechanisms for, using alternative heating systems.

Examples of supplier action

- **Proactive identification of zero gas users** – Some of the largest suppliers are taking measures to proactively identify zero gas users:

⁴ Examples identified illustrate areas where suppliers have made efforts to better meet the needs of consumers. They do not signal compliance with supply licence conditions.

⁵ An express contract is a contract that the parties have expressly (orally or in writing) agreed to enter into. This is in contrast to a deemed contract, which arises as a result of statutory provisions and comes into existence between parties in certain circumstances, where the supplier supplies gas and / or electricity otherwise in pursuance of a contract. We are aware that there may be scenarios where, due to the time of the year, a customer may have never consumed gas and are on an express contract. This can occur for example, if gas is required only for heating purposes at the property. We would not expect suppliers to waive and reimburse the standing charge in this scenario.

- EDF Energy writes to households with 12 months of zero consumption to advise them of their options. These options may include waiving the standing charge and meter removal if this is considered to be appropriate.
- Npower proactively identifies households that have not consumed for 12 months. Npower will consider reimbursing the standing charge for the previous 12 months and will continue to monitor these households going forward.
- SSE carried out a one-off process to proactively identify prepayment meter (PPM) gas and electricity households with 12 months of zero usage. This included households who have never used gas or electricity at their property and those that may have consumed in the past. SSE then reimbursed the standing charge for the 12 month period, which involved automatically writing off the standing charge debt on the prepayment meter.
- **Suppliers waiving or reimbursing the standing charge due to the customer's extenuating circumstances** – We are pleased to see that all of the six largest suppliers will consider waiving the standing charge in certain situations where the customer is unable to use gas. Such scenarios could include flooding⁶ and hospitalisation. All of the large suppliers have said that they will assess each scenario on a case-by-case basis.
- **Annual rebate to reimburse the standing charge for vulnerable low and zero gas users** – British Gas has introduced a standing charge rebate. In the first year of the scheme, British Gas will write to customers, who they believe to be eligible for the rebate, asking them to confirm their eligibility. They will pay the rebate to their existing customers who are considered financially vulnerable and have consumed less than 1,500 kWh of gas over the previous 12 months.⁷

Practice 2 – Do not recover a standing charge from households who have not entered into an express contract and have never consumed gas at the premises.

In practice this means if these households are inadvertently charged, the standing charge is waived or reimbursed once the supplier becomes aware that no consumption has taken place. As smart meters are rolled out, suppliers will be able to automate their processes for identifying periods of non-consumption.

Example of supplier action

- **Suppliers waiving or reimbursing the standing charge when consumption has never taken place** – All of the six largest suppliers have policies in place when dealing with households with zero gas consumption who are in vulnerable situations and are not on an express contract. EDF Energy, EON, npower, ScottishPower and SSE apply this policy to all gas households. EON has also extended this policy to all electricity consumers. British Gas will implement a new policy for dealing with households who are financially vulnerable, who have never used gas or electricity in their premises and are not on an express contract.

⁶ For example, Npower's website 'FAQ: Have you been affected by flooding?' available [here](#).

⁷ To facilitate this offer Ofgem granted British Gas a temporary derogation from certain Standard Licence Conditions of its gas supply licence, see [here](#).

Practice 3 – Offer to remove the meter for free for households who do not intend to use gas in the future, if such action is required.

In practice, this means households who do not intend to use gas in the future would not have to pay for the removal of their gas meter, should this option be appropriate.

Example of supplier action

- **Free meter removal** – All six largest suppliers offer free removal of gas meters for households in vulnerable situations, should this option be appropriate. British Gas, EDF, Npower and SSE go further and offer this for all households, regardless of whether they are vulnerable.

We would caution that the removal of a meter might not be appropriate in all circumstances. It is therefore important that all options are communicated as per Practice 1.

We recognise that some of the issues raised by suppliers in determining when consumption starts may be better addressed after the introduction of smart meters. We think it is important and feasible to address many of these concerns related to Practice 1, 2 and 3 now by having suppliers take proactive steps in their approach to communicating options available to domestic households.