

To: All holders of a gas supply licence ("licensees") who are relevant licence holders for the purposes of section 23(10) of the Gas Act 1986

MODIFICATION PURSUANT TO SECTION 23 OF THE GAS ACT 1986 OF THE STANDARD CONDITIONS OF THE GAS SUPPLY LICENCES GRANTED OR TREATED AS GRANTED UNDER SECTION 7A(1) OF THE GAS ACT 1986

NOTICE OF REASONS FOR THE DECISION TO MODIFY THE STANDARD CONDITIONS OF THE GAS SUPPLY LICENCE UNDER SECTION 38A OF THE GAS ACT 1986

WHEREAS:

1. Each of the companies to whom this modification notice is addressed holds a gas supply licence granted or treated as granted pursuant to section 7A(1) of the Gas Act 1986 (the "Act").
2. In accordance with section 23(2), (3) and (4) of the Act, the Gas and Electricity Markets Authority (the "Authority")¹ gave notice ("Notice") on 3 July 2017 that it proposed to modify the standard conditions of the gas supply licence by introducing standard condition 28B. The Notice required any representations with respect to the proposed modification to be made on or before 29 August 2017.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 23(4)(b) of the Act, and we have not received a direction that the modification should not be made.
4. We received 20 responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. A copy of the non-confidential representations received by Ofgem are available free of charge from the Ofgem Knowledge Management Team, 9 Millbank, London, SW1P 3GE.
5. The Authority has carefully considered the representations made and, subject to changes set out in Schedule 2 to this modification notice, has decided to proceed with the modification proposed in the Notice.
6. In accordance with section 38A of the Act, the reasons for making the licence modification are to implement the policy stated in the following documents:
 - (a) Decision to modify gas and electricity supply licences for installation of prepayment meters under warrant, [10] November 2017;
 - (b) Prepayment meters installed under warrant: statutory consultation 3 July 2017²; and
 - (c) Prepayment meters installed under warrant: final proposals, 2016³

¹ The terms "the Authority", "we" and "Ofgem" are used interchangeably in this document.

² https://www.ofgem.gov.uk/system/files/docs/2017/06/prepayment_meters_installed_under_warrant_-_statutory_consultation_1.pdf

³ https://www.ofgem.gov.uk/system/files/docs/2016/09/final_proposals_consultation_document.pdf

In summary, this modification is being made because the Authority has identified a number of issues with the current practice of installing prepayment meters under warrant which result in poor outcomes for consumers, including those in vulnerable situations. We think that existing rules and voluntary arrangements do not sufficiently cover the issues we have identified nor sufficiently incentivise suppliers to adjust their approaches. On this basis, we believe that new obligations and incentives need to be implemented. We would like suppliers to shift their focus to ensuring every effort is made to engage fully with customers in the debt path, improving their conduct, and only force-fit PPMs as a last resort.

7. The effects of this proposed modification are described in the documents referred to in paragraph 6 of this modification notice. The main effects of this modification can be summarised as follows:
 - (a) suppliers are prohibited from using warrants in certain exceptional cases;
 - (b) suppliers are prohibited from levying warrant-related costs in certain other cases;
 - (c) the amount suppliers can levy for warrant-related costs in all other cases are subject to a cap;
 - (d) to protect consumers from suppliers taking disproportionate action or levying disproportionately high charges when carrying out debt recovery activities, suppliers are required to comply with a specific proportionality principle.

8. Where an application for permission to appeal the Authority's decision is made to the Competition and Markets Authority (CMA) under section 23B of the Act, Rule 5.7 of the CMA's Energy Licence Modification Appeals Rules⁴ requires that the appellant send a non-sensitive notice to any relevant licence holders who are not parties to the appeal, setting out the matters required in Rule 5.2. Schedule 3 to this modification notice provides a list of the relevant licence holders in relation to the modification. Section 23(10) of the Act sets out the meaning of "relevant licence holder".

⁴ CMA70 - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf

Now therefore

In accordance with the powers contained in section 23(1)(b) of the Act, the Authority hereby modifies the standard conditions for all gas supply licences in the manner specified in Schedule 1 to this modification notice. The modification will take effect on and from 8 January 2018, a date which is at least 56 days from the publication of this modification notice.

The Official Seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of



**Rachel Fletcher, Senior Partner
Duly authorised on behalf of the
Gas and Electricity Markets Authority**

8 November 2017

SCHEDULE 1

MODIFICATION PURSUANT TO SECTION 23(1)(b) OF THE GAS ACT 1986 OF THE STANDARD CONDITIONS OF THE GAS SUPPLY LICENCES GRANTED OR TREATED AS GRANTED UNDER SECTION 7A(1) OF THE GAS ACT 1986

The text below constitutes the modification to introduce standard condition 28B into the gas supply licence

Condition 28B. Warrants relating to Pre-payment Meters and other supplier actions to recover debts

Prohibitions on exercising a warrant and recovering costs

28B.1 The licensee must not exercise a Relevant Warrant (or otherwise exercise a statutory power which would give rise to the grounds for obtaining a Relevant Warrant) in respect of a Domestic Customer's premises where such action would be severely traumatic to that Domestic Customer due to an existing vulnerability which relates to their mental capacity and/or psychological state and would be made significantly worse by the experience.

28B.2 The licensee must not charge a Domestic Customer in respect of any costs associated with a Relevant Warrant where:

- (a) that Domestic Customer has a vulnerability which has significantly impaired their ability to engage with the licensee or a Representative in relation to the recovery of a Relevant Payment; or
- (b) that Domestic Customer has a severe financial vulnerability which would be made worse by charging them any costs associated with a Relevant Warrant.

Cap on warrant costs

28B.3 Subject to 28B.3A, where the licensee or any Affiliated Licensee obtains and/or exercises one or more Relevant Warrants in respect of particular Domestic Premises of a particular Domestic Customer, the total amount of charges they recover (or seek to recover) at any time from the same Domestic Customer in relation to any costs associated with those Relevant Warrants and incurred within the Specified Period, must not exceed the Specified Amount (and, for the avoidance of doubt, no additional costs that were incurred within the Specified Period may be recovered during any other period of time).

28B.3A Where the licensee or any Affiliated Licensee obtains and/or exercises one or more Relevant Warrants in respect of more than one Domestic Premises of the same Domestic Customer, paragraph 28B.3 applies separately to each of those Domestic Premises.

Proportionality principle for debt recovery activities

28B.4 The licensee must only exercise a Relevant Warrant where such action would be proportionate in the context of the amount of the Outstanding Charges.

28B.5. In relation to the recovery of Outstanding Charges, Other Outstanding Charges or any other debt ('the charges') from a Domestic Customer, the licensee must ensure that:

- (a) any action it or a Representative takes (including, but not limited to, the exercise of statutory powers); and
- (b) the costs which they seek to recover from that Domestic Customer as a result, are proportionate in the context of the amount of the charges.

28B.6 Paragraph 28B.5 does not apply in relation to a Transfer Objection.

Duration of the restrictions

28B.7 Paragraphs 28B.1 to 28B.4 will cease to have effect on 31 December 2020 unless the Authority specifies a later date by publishing a statement in Writing.

28B.8 The power to specify a later date in paragraph 28B.7 may be exercised by the Authority on more than one occasion (before, on, or after the expiry of any later date specified by the Authority).

Application to white label tariffs

28B.9 In this licence condition any reference to "premises" covers the premises of Domestic Customers supplied under or by virtue of the licence held by the licensee, including where those premises are subject to Tariffs which use the brand name of a person that does not hold a Gas Supply Licence and/or an Electricity Supply Licence.

Definitions for condition

28B.10 For the purposes of this condition:

"Relevant Warrant" means:

- (a) a warrant pursuant to paragraph 23(2)(c) of Schedule 2B to the Gas Act 1986 for the purposes of paragraph 7(3)(a) of Schedule 2B to the Gas Act 1986;
- (b) a warrant pursuant to paragraph 7(4) of Schedule 6 to the Electricity Act 1989; and
- (c) any other type of warrant specified or described by the Authority by publishing a statement in writing (or by issuing a direction to the licensee), following consultation.

"Specified Amount" means £150 or such higher amount as may be designated by the Authority from time to time by publishing a statement in Writing.

"Specified Period" means twelve months or such other (shorter or longer) period which may be specified by the Authority by publishing a statement in writing (or by issuing a direction to the licensee), following consultation.

"Transfer Objection" means to prevent a Proposed Supplier Transfer on grounds permitted by standard condition 14.

"Relevant Payment" has the meaning given in paragraph 7(1A) of Schedule 2B to the Gas Act 1986 and paragraph 2(1A) of Schedule 6 to the Electricity Act 1989.

SCHEDULE 2

Condition	Change following statutory consultation	Reason for change
28B.3	Replace "Licensee" with "licensee"	To correct a typographical error.
28B.3	Delete "(including in relation to premises of Domestic Customers subject to Tariffs which use the brand name of a person that does not hold a Gas Supply Licence and/or Electricity Supply Licence)"	We have clarified the application of licence condition 28B to white label tariffs through the introduction of a new condition 28B.9. These changes are to ensure consistency with this amendment.
28B.3 and 28B.3A	In paragraph 28B.3, add "Subject to 28B.3A", and "in respect of particular Domestic Premises of a particular Domestic Customer," and "at any time". Add new paragraph 28B.3A which provides as follows, "Where the licensee or any Affiliated Licensee obtains and/or exercises one or more Relevant Warrants in respect of more than one Domestic Premises of the same Domestic Customer, paragraph 28B.3 applies separately to each of those Domestic Premises." Add new comma "," after Specified Period.	We agreed with stakeholders that the earlier licence drafting could restrict suppliers by only allowing them to charge up to the cap once for a customer with multiple properties. These amendments are intended to clarify that the cap applies separately to each premises that is subject to a Relevant Warrant. Comma amendment for punctuation purposes.
28B.9	Add new paragraph 28B.9 which provides as follows, "In this licence condition any reference to "premises" covers the premises of Domestic Customers supplied under or by virtue of the licence held by the licensee, including where those premises are subject to Tariffs which use the brand name of a person that does not hold a Gas Supply Licence and/or an Electricity Supply Licence."	We have clarified the application of licence condition 28B to white label tariffs. The licence drafting in the statutory consultation notice included the following text in paragraph 28B.3 to emphasise the application to white label arrangements: "(including in relation to premises of Domestic Customers subject to Tariffs which use the brand name of a person that does not hold a Gas Supply Licence and/or Electricity Supply Licence)." This text was only included for reasons of clarity and was not intended to affect the ordinary meaning of "licensee" in a supply licence condition, i.e. in the Authority's view the term "licensee" would automatically cover the activities of white label arrangements which operate under or by virtue of the supply licence held by the licensee. Given the Authority's desire to be clear on this position, the above text has been replaced with a new paragraph and a sub-heading to emphasise that all elements of new standard condition 28B apply to white label arrangements.
28B.10	Change to the numbering of the 'Definitions for condition'	Consequential amendment following introduction of new paragraphs to licence condition 28B.

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	section of licence condition 28B.	
28B.10	Add to paragraph (a) of the definition of 'Relevant Warrant' to include the following, "for the purposes of paragraph 7(3)(a) of Schedule 2B to the Gas Act 1986"	We agreed with stakeholders that the earlier drafting would mean that the restrictions in licence condition 28B would apply to suppliers' statutory power to seek a warrant for the purpose of removing, inspecting and re-installing any meter, as well as when ensuring that a meter is in proper order. These changes clarify that a supplier can carry out these activities without engaging the restrictions in licence condition 28B.

SCHEDULE 3 – list of each relevant licence holder

1 North Utilities Ltd	Kensington Power Limited
1st Direct Utilities Plc	Labrador Ltd
Addito Supply Limited	Lovely Energy Limited
Affect Energy Ltd	Maine Energy Limited
Albuquerque Energy Limited	Mongoose Energy Supply Limited
Alfa Smart Energy Ltd	MyLife Home Energy Limited
Arizona Energy Limited	Nabuh Energy Ltd
AvantiGas On Limited	Nationwide Electricity Limited
Avid Energy Limited	Nevada Energy Limited
Avro Energy Limited	Npower Direct Limited
Axis Telecom Limited	Npower Gas Limited
Arruzzi Energy Supply Limited	Npower Northern Limited
Barbican Power Limited	Npower Yorkshire Limited
Better Energy Supply Limited	Octopus Energy Limited
Bluebell Energy Supply Limited	Oneselect Limited
Breeze Energy Supply Limited	One Wales Energy - Un Ynni Cymru Ltd
Brilliant Energy Supply Limited	Opal Gas Limited
Bristol Energy & Technology Services (Supply) Limited	Opus Energy Limited
British Gas Trading Limited	Opus Gas Supply Limited
Brook Green Trading Limited	Orbit Energy Limited
Bryt Energy Limited	Oreba Energy Supply Limited
Bruntwood Energy Services Limited	Oregon Energy Limited
Bulb Energy Ltd	Our Power Energy Supply Limited
Business Power and Gas Limited	Ovo Gas Limited
Callesti Energy Supply Limited	Palladium Energy Supply Limited
Cardiff Energy Supply Limited	Pan-Utility Limited
Celesto Enterprises Limited	People's Energy (Supply) Limited
Cilleni Energy Supply Limited	PPF Energy Limited
Colgano Energy Supply Limited	Pirranello Energy Supply Limited
Co-Operative Energy Limited	Planet 9 Energy Limited
Corona Energy Retail 4 Limited	Pozitive Energy Ltd
Cowpow Limited	Pure Planet Limited
Crown Gas and Power Limited	Putney Energy Limited
Crown Oil Limited	Queensbury Energy Limited
Daisy Energy Supply Limited	Retford Gas Limited
Daligas Limited	Robin Hood Energy Limited
Delta Gas and Power Limited	Rockfire Energy Limited
Dirac Energy Supply Limited	Rutherford Energy Supply Limited
Donnington Energy Limited	Santana Energy Limited
Dual Energy Direct Limited	Saphir Energy Limited
Dyce Energy Limited	Satus Energy Limited
Eclipse Energy Supply Limited	Scottish Power Energy Retail Limited
Economy Energy Supply Ltd	Shale Gas UK Limited
Economy Energy Trading Limited	Shell Energy Supply UK Ltd.
Eddington Energy Supply Limited	Simple Energy Scotland Limited
EDF Energy Customers Plc	Sinq Power Limited
Effortless Energy Ltd.	Smarter Eco Energy Limited
E (Gas and Electricity) Limited	Snowdrop Energy Supply Limited
ENGIE Power Limited	So Energy Trading Limited
Enstroga Ltd	Solarplicity Supply Limited

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Entice Energy Supply Limited	Southern Electric Gas Limited
E.ON Energy Gas (Eastern) Limited	Spalt Energy Limited
E.ON Energy Solutions Limited	Spark Energy Supply Limited
ESB Energy limited	Squeaky Clean Energy Limited
Euston Energy Limited	Sunflower Energy Supply Limited
Eversmart Energy Ltd	Switch Business Gas and Power Ltd
Extra Energy Supply Limited	Symbio Energy Limited
Fairline Gas Ltd	Texas Energy Limited
First Utility Limited	Telecom Plus PLC
Flogas Britain Limited	Temple Energy Limited
Flow Energy Limited	The Renewable Energy Company Limited
Foxglove Energy Supply Limited	Together Energy Supply Limited
Future Energy (Supply) Limited	Tonik Energy Limited
Gas and Power Limited	Total Gas & Power Limited
Gas Plus Supply Limited	Toto Energy Ltd.
GEN4U Ltd	Tru Energy Limited
GnERGY Limited	UK National Gas Ltd
Green Energy (UK) plc	UK Healthcare Corporation Limited
Greengen Direct Limited	Ure Energy Limited
Green Network Energy Ltd	Usio Energy Supply Limited
Good Energy Gas Limited	Utilita Energy Limited
Hartree Partners Supply (UK) Limited	Utilita Gas Limited
Hawking Energy Supply Limited	Utility Point UK Limited
Holborn Energy Limited	Vavu Power Limited
Home Counties Energy Plc	Victory Energy Supply Limited
Hudson Energy Supply UK Limited	Washington Energy Limited
Igloo Energy Supply Limited	World Fuel Commodities Services (Ireland) Limited
Iresa Limited	Zebra Power Limited
I Supply Energy Limited	Zog Energy Limited
Jacob Developments Limited	