

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.

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