

## Licence guide: Standards of Conduct

**This is a guide to the Standards of Conduct (SLC 0 and SLC 0A). These are enforceable overarching rules aimed at ensuring licensees, and their representatives in the case of domestic suppliers, treat each domestic and microbusiness customer fairly. The guide is relevant for all suppliers of domestic and microbusiness customers.**

### KEY



Applies to electricity suppliers



Applies to gas suppliers



Applies to domestic suppliers



Applies to non-domestic suppliers\*



Some of these rules only apply to suppliers with more or less than a certain number of customers

\* We specifically state where rules only relate to a subset of non-domestic customers, e.g. microbusinesses.<sup>1</sup>

### What are the Standards of Conduct?

The domestic and non-domestic Standards of Conduct form the foundation stone of the gas and electricity supply licences. They are enforceable broad principle-based rules that apply across a range of supplier-customer activities.<sup>2</sup> They highlight our fundamental expectations regarding how **suppliers (and their representatives<sup>3</sup> in the case of domestic suppliers) must ensure that each customer is treated fairly**. This goes above and beyond taking 'all reasonable steps' to treat customers fairly, as was previously in the licence.

Suppliers should be continually striving to adopt and embed a consumer-centric culture, and ensure their conduct results in all customers being treated fairly. Where we need to assess whether a customer has been treated fairly, we will consider a range of factors including, importantly, the outcomes a supplier has delivered for the consumer.

These broad principles relate to how suppliers **behave, provide information, and carry out customer service processes**. In the case of domestic consumers, the Standards also relate to how suppliers **seek to identify each consumer in a vulnerable situation and respond to their needs**.

<sup>1</sup> Electricity microbusiness customers are those with an annual consumption of not more than 100,000 kWh OR fewer than 10 employees and an annual balance sheet/turnover not exceeding 2 million Euros. Gas microbusiness customers are those with an annual consumption of not more than 293,000 kWh OR fewer than 10 employees and an annual balance sheet/turnover not exceeding 2 million Euros.

<sup>2</sup> The domestic Standards apply to all activities of the licensee and any Representative which involve, or otherwise relate to, dealings with a Domestic Customer. The non-domestic Standards are narrower and relate only to designated activities – see page 2 for more details of what this includes.

<sup>3</sup> Any person directly or indirectly authorised to represent the licensee in its dealings with customers.

**Remember:**

**The Standards contain enforceable overarching principles that are relevant across many supplier activities and licence guide themes.** The Standards work alongside other rules in the supply licences, and suppliers should bear the Standards in mind when considering how to comply with their other licence obligations.

## What's the purpose of the Standards of Conduct?

The Standards of Conduct are about the relationship between energy suppliers and consumers. We expect the Standards to be embedded throughout each supplier, driven by the Board and senior management, and understood by all staff. We expect these principles of fairness to be factored into the design, monitoring and revision of all products, policies and processes. This is to help ensure that suppliers have the appropriate culture in their businesses to consistently deliver fair outcomes for all energy consumers. We also expect suppliers to consider innovative approaches to delivering fair treatment.

We added the Standards to the supply licences in 2013 as part of the Retail Market Review reforms, to improve supplier behaviour and consumer trust in the energy market. The Standards were a critical first step towards more reliance on regulation through general enforceable principles. We think that this will better protect consumers' interests by (a) focusing our efforts as a regulator on good customer outcomes and more effective and comprehensive consumer protection, (b) creating room for innovation, so suppliers can be more flexible in how they meet the needs of customers, including those in vulnerable situations, and (c) putting a much greater onus on suppliers, especially senior management, to treat consumers fairly.

## What's the scope of the Standards of Conduct?



The domestic Standards apply to all activities of the licensee and any representative which involve, or otherwise relate to, dealings with a domestic customer. This includes, for example, everything from when they are marketing energy deals to them, to responding appropriately when customers make a complaint about any aspect of their energy supply, to facilitating customers who wish to switch away to a different tariff or supplier.



The non-domestic Standards relate to certain aspects of billing, contract, and transfer activities that suppliers engage in with microbusiness consumers. They don't cover as many types of interactions as the domestic Standards and do not apply to a supplier's representatives.

Specifically, the non-domestic Standards cover 'designated activities', which means:

- The accuracy of a bill or statement of account
- The timeframe for a microbusiness consumer receiving a bill or statement of account and the timeframe for the payment of a bill
- Any written or oral communication regarding billing or contractual information
- Customer transfers

- Any matters relating to deemed contracts
- Any matters which fall within the scope of SLCs 7A, 14, 14A and 21B (in so far as they relate to a microbusiness consumer)<sup>4</sup>.

Note that in the event of a conflict between the non-domestic Standards and SLC 14.2 (relating to non-domestic transfer blocking), the Standards take precedence. The effect of this is that a contract term allowing for an objection must itself be fair under the Standards.

**The amount of any charge or fee is out of scope of the Standards**, apart from matters relating to deemed contracts. However, **whether a supplier decides to apply or waive a charge or fee for a product or service is in scope** of the Standards. This is true for both the domestic and non-domestic Standards.

### What are the broad principles suppliers must follow?

The domestic Standards have an overarching objective and then four 'limbs' (three for the non-domestic Standards<sup>5</sup>). Suppliers (and their representatives, in the case of domestic consumers) must achieve the 'limbs' in a manner consistent with the overarching objective. The table below sets these 'limbs' out and gives some examples of what they mean in practice.

Customer objective	Suppliers, and their representatives <sup>6</sup> , treat each customer fairly			
'Limbs' of the Standards	Behaviour towards consumers 	Providing customers with information 	Customer service processes 	Considering vulnerable domestic customers 
What this means in practice	Suppliers must behave and carry out any actions in a fair, honest, transparent, appropriate and professional manner	Suppliers must provide information (whether in writing or orally) which, amongst other things is complete, accurate, and not misleading and displayed in plain and, intelligible language, as well as being appropriate and fair	Suppliers must make it easy for consumers to contact them, act promptly to put things right when they make a mistake, and ensure customer service arrangements are fit for purpose	Suppliers must identify and understand the characteristics, circumstances and needs of vulnerable customers and satisfy themselves that their actions are resulting in vulnerable consumers being treated fairly
Consumer outcome	Consumers have a positive experience when dealing with their supplier and are not put off future engagement	Consumers receive the right information – at the right time and in a suitable format – in order to make decisions about their energy supply	Consumers' expectations are met by the supplier's processes and their issues are resolved appropriately	Consumers' vulnerable situations are taken into account by a supplier so all consumers can participate effectively in the market

<sup>4</sup> SLC 7A is about supplying microbusiness consumers, including rules on information that must be provided and contracts. SLC 14A is about customer transfers and SLC 14 is about transfer blocking. SLC 21B is about billing based on meter readings.

<sup>5</sup> The vulnerability limb only applies to the domestic Standards and **not** the non-domestic Standards. For the non-domestic Standards, these limbs only apply to 'designated activities'.

<sup>6</sup> The reference to representatives only applies to domestic suppliers.

## How Ofgem applies the Standards of Conduct

There are four parts to the Standards: the **customer objective**, the **fairness test**, the **broad principles** and the **compliance threshold**. These component parts are assessed together when we apply the Standards. The diagram gives an example of how we may apply them.

When we monitor the markets we will look for instances where it appears suppliers are not upholding the customer objective of the Standards and delivering "Fair" outcomes for consumers. "Fair" is a defined term within the Standards. Ensuring each customer is treated fairly is the **customer objective**.

We will consider what the licensee had either done or not done that may be unfair, and identify which **broad principle** is relevant. The broad principles in the Standards relate to the four (three for non-domestic) 'limbs' outlined above: behaviour towards consumers, providing customers with information, customer service processes, and consideration of vulnerable domestic customers.

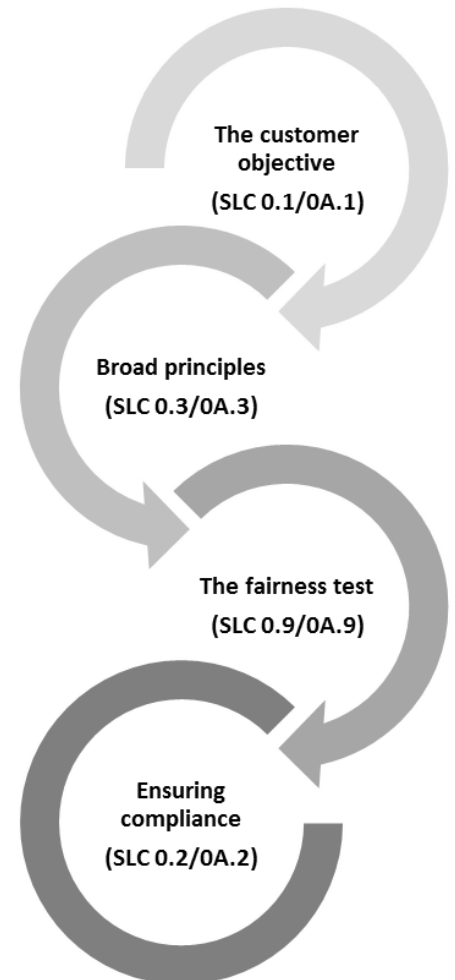
We will also consider whether the licensee's actions and/or omissions met our **fairness test** (eg did it "give rise to a likelihood of detriment" to the consumer and does it appear that this detriment would not be "reasonable in all the relevant circumstances"?).

The fairness test recognises that suppliers need to carry out legitimate commercial activities (such as charging for services) and preserves their ability to exercise their rights under statute, as long as they do so lawfully and proportionately.

If a likelihood of customer detriment does arise, a supplier will have an opportunity to give a compelling reason why they consider the detriment to be "reasonable in all the relevant circumstances" if they think the customer has been treated fairly. This would happen as part of our ongoing **engagement and compliance** activities.

If we believe actions or omissions were or are unfair under the fairness test, we will consider if and how to respond. This may depend on how the supplier has engaged with us (eg by self-reporting concerns and cooperating with our enquiries) and what the supplier has done to address the risk of harm, and offer redress to consumers. Options for responding include enhanced monitoring and engagement, negotiating a package of redress for consumers, or opening an enforcement case.

Our [enforcement guidelines](#) set out the approach we take to enforcing against all licence conditions, including the Standards of Conduct.



## Other useful information

Below is a (non-exhaustive) list of some other documents we have published that may help you understand the rules in this area better. Suppliers may wish to consult other helpful materials about good practice, for example those published by Citizens Advice.

Document	Date
Our <a href="#">enforcement guidelines</a> describe how we use our enforcement powers, provide redress and remedies for consumers, and punish or deter breaches or infringements. They also set out a number of actions we may take as an alternative to exercising our statutory enforcement powers.	Oct 2017
In 2017 we made some changes to the Standards, which are covered by this guide. For more details see our: <ul style="list-style-type: none"> <li>• <a href="#">Final decision</a> (appendix 2 includes guidance on terms used in SLC 0/0A)</li> <li>• <a href="#">Statutory consultation</a></li> <li>• <a href="#">Policy consultation</a></li> <li>• <a href="#">Working paper</a></li> </ul>	Aug 2017 Jun 2017 Jan 2017 Aug 2016
Conclusions from an <a href="#">enforcement investigation</a> into British Gas' compliance with obligations including SLC 7B (the non-domestic Standards).	Jun 2017*
Our 2016 Challenge Panel <a href="#">report</a> . This panel explored how well suppliers had been embedding the Standards in their approaches to sales and marketing.	Jan 2017*
Conclusions from an <a href="#">enforcement investigation</a> into Scottish Power's compliance with obligations including SLC 25C (the domestic Standards).	Jun 2016*
Conclusions from an <a href="#">enforcement investigation</a> into npower's compliance with obligations including SLC 25C (the domestic Standards).	Jan 2016*
Conclusions from an <a href="#">enforcement investigation</a> into BES' compliance with obligations including SLC 7B (the non-domestic Standards).	Dec 2015*
Our 2014 Challenge Panel <a href="#">report and open letter</a> . This panel explored how well suppliers had been embedding the Standards. The report contains six key themes that may be helpful for suppliers to consider.	Mar 2015*
Our <a href="#">Consumer Vulnerability Strategy</a> outlines what we expect of suppliers in embedding consideration of consumer vulnerability in designing and delivering their products and services in line with the Standards.	Jul 2013

\* These documents relate to old versions of licence conditions, as they were at the time (SLC 25C or SLC 7B). The rules may be different now, but we've included these documents in this guide because we think they could still be helpful for you to refer to.

NB our [website](#) has a full list of all enforcement investigations.

**We remind all suppliers** that this guide does not modify or replace the conditions in the gas and electricity supply licences. Neither is it an exhaustive list of supplier obligations or information resources. This guide is designed to introduce you to the rules, highlight relevant supply licence obligations, and signpost to key information that may help you understand these rules. Suppliers should continue to refer to the conditions outlined in the most recent versions of the [gas](#) and [electricity](#) supply licences.