

# Guidance

## Tariffs and contracts

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**This is a guide to the rules that apply to the terms and conditions of the tariffs and products that suppliers offer. It also covers rules relating to contracts. It's relevant for suppliers of domestic and non-domestic customers.**

Ofgem may update this guide from time to time. Suppliers are responsible for keeping up to date with the latest version of the rules.

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## 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 fewer than a certain number of customers

\* We specifically state where rules only relate to a subset of non-domestic customers, eg microbusinesses.

## Overview of tariffs and contracts

It is important that the tariffs and products suppliers offer have terms and conditions that are clear and appropriate. The rules in this theme are to clarify these terms and conditions as much as possible for customers, including for deemed contracts (a contract that is deemed to exist without being expressly agreed). It is important that customers understand what they're signing up to, their rights, and their responsibilities according to their contract. It is especially important that vulnerable consumers have this understanding. Suppliers must ensure communications are appropriate for the needs of the customer.

So that a consumer can make properly informed choices about whether any given tariff is appropriate for them, they will need to be able to understand what the tariff means and involves. Clear and appropriate tariffs and contracts are vital to allow customers to grasp the details of their tariff or product. This allows consumers to assess whether or not the tariff they are on continues to suit their characteristics and preferences, and have the confidence to choose to remain on the same tariff, or to switch away. We believe that engaged, informed consumers are essential for a well-functioning market.

## Key Standard Licence Conditions (SLCs) for this theme

Below are the key licence conditions that relate to this theme (tariffs and contracts). We've highlighted some parts of these rules, but you should refer to the actual SLCs for the full detail. The documents listed in the 'other useful information' section may provide more context to help you understand the intent of the rules, especially our consultation documents.

### Remember:

**The Standards of Conduct contain enforceable overarching principles that are relevant across many supplier activities and licence guide themes.** (The Standards are SLC 0 for domestic / SLC 0A for non-domestic suppliers.) These are aimed at ensuring licensees (and their representatives in the case of domestic suppliers) treat each customer fairly. This includes behaving in a fair, honest, transparent, appropriate, and professional manner, and providing information that is complete, accurate and not misleading. Domestic suppliers also need to make an extra effort to identify and respond to the needs of domestic customers who are in vulnerable situations.

## RULES RELATING TO TARIFFS AND CONTRACTS

### SLC 22 Duty to offer and supply under domestic supply contract



- Sets out the requirements for suppliers regarding offering domestic supply contracts and the duty to supply under them, including any exemptions.
- Includes specific rules on what must be included in a domestic supply contract, including certain terms, conditions, details of the supplier and their compensation arrangements, and information on customer rights regarding dispute settlement.
- Requires suppliers to pass on a customer's historic consumption data to the customer or to another supplier upon the customer's request.

### SLC 7 Terms of contracts and deemed contracts



- Requires suppliers to take all reasonable steps to make sure their deemed contracts are not unduly onerous.
- Includes some examples to help suppliers identify if their contract is unduly onerous, and therefore non-compliant with SLC 7.
- Also sets out other requirements of deemed contracts, eg prohibiting termination fees and notice periods.

### SLC 7A Supply to microbusiness consumers



- Requires suppliers to take all reasonable steps to identify microbusiness consumers<sup>1</sup>, bring certain information to their attention, and ensure it is communicated plainly and intelligibly.

### SLC 22A Unit rate, standing charge and tariff name requirements



- Sets out restrictions on tariff names.
- Requires suppliers to incorporate all supply charges into the standing charge and unit rate, or time-of-use rate.
- Also contains a list of separate charges – exempted charges that suppliers are allowed to exclude from the standing charge and unit rate, eg late payment charges or termination fees.

### SLC 23 Notification of domestic supply contract terms



- Requires suppliers to take all reasonable steps to inform customers of the principal terms of their supply contracts, and communicate these principal terms in plain and intelligible language.
- Requires suppliers to send a notice when they increase prices, or otherwise vary the terms of a contract in a way that disadvantages the customer, subject to certain exceptions. The rules around these notices are in SLC 31I.

<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 €2m. 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 €2m.

### SLC 23A Mutual variations



- Requires suppliers to explicitly agree any mutual variation to the terms of a domestic supply contract with the customer, and includes certain notice requirements.
- Suppliers must write to the customer within five days setting out the mutual variation that was agreed with the customer.

### SLC 24 Termination of domestic supply contracts



- Requires suppliers to include certain terms in their domestic supply contracts relating to the termination of those contracts. Sets out certain restrictions on suppliers about terminating a contract, for example including:
  - Termination fees are only applicable for fixed-term contracts and do not apply during a certain window at the end of a fixed-term contract.
  - Notice periods for evergreen tariffs cannot be longer than 28 days.
  - Customers must be protected from any price increase if they switch tariff (or supplier) within a designated window.

### SLC 25 Informed choices



- Requires suppliers to help customers make an informed choice about their energy supply, including their choice of tariff or supplier.
- Requires suppliers to, amongst other things:
  - ensure that the structure, terms and conditions of its tariffs are clear and easily comprehensible
  - ensure that its tariffs are easily distinguishable from each other, and
  - ensure that it puts in place information, services and tools to enable each domestic customer to easily compare and select tariffs, taking into account that domestic customer's characteristics and preferences.

## RULES RELATING TO SPECIFIC TARIFFS AND CONTRACTS

### SLC 19D Demand side response (DSR) payments



- Defines, among other things, what the licensee should include in its contracts to Commercial Firm Customers, particularly ensuring that these terms are brought to the attention of the customer.
- Demand side response involves energy users varying demand in response to an external signal, usually price.

### SLC 21D Tariffs with environmental claims – green tariffs



- Suppliers must provide clear statements about whether its tariffs will or will not benefit the environment, provide clear information about its fuel mix and environmental benefits, and put information on its website that puts this information into context.
- Suppliers must produce an annual report to outline the environmental benefit of a relevant tariff.

### SLC 22C Fixed term supply contracts



- Requires suppliers to send out a statement of renewal terms to customers on fixed-term contracts. The rules around this notice are in SLC 31I.
- Sets out the contract options available if a customer takes no action at the end of a contract and is automatically rolled over to a default tariff.
- Also sets out the general rule which prevents increases in charges and unilateral variations during a fixed term contract, subject to specific exceptions, e.g. staggered tariffs and tracker tariffs.

### SLC 22D Dead tariffs



- Sets out a general prohibition on suppliers creating new 'dead tariffs' (variable tariffs with no end date that are no longer open to new customers).
- Specifies that where suppliers want to keep existing dead tariffs, they must check on an annual basis that each customer on a dead tariff is no worse off than if they were on the relevant cheapest evergreen tariff. If the customer would be worse off on the dead tariff then the supplier must transfer the customer to the relevant cheapest evergreen tariff.

### SLC 22E Unmetered supply arrangements



- Describes the requirements for suppliers where there is no unit rate because there is no metered supply and therefore payment does not necessarily vary by amount of electricity consumed.
- Suppliers must take all reasonable steps to make sure these customers have access to the appropriate information to evaluate the benefits and costs of their tariff, or consider changing tariff or supplier.

### SLC 22G Requirements for restricted meters



- Requires suppliers to make all their single-rate tariffs available to domestic customers on restricted meters, and let them switch to these tariffs without having to get their restricted meter replaced, and without incurring any additional costs or charges.
- Suppliers must also ensure that domestic customers on restricted meters have access to certain specified information.

### SLC 31F Encouraging and enabling engagement



- Suppliers must take all reasonable steps to make sure that domestic customers with a bespoke heating system have access to information so that they are not at a significant disadvantage to other customers if they want to evaluate the benefits and costs of their tariff, or consider changing tariff or supplier.

## Other SLCs you should consider

### SLC 16 Security and emergency arrangements



- Sets out certain terms that the supplier must include in its domestic and non-domestic contracts for the supply of gas relating to security and emergency arrangements.

### SLC 28A Prepayment charge restriction (PPM price cap)



- Between 1 April 2017 and 31 December 2020, the amount of money suppliers can charge a domestic prepayment customer is subject to a price cap. This applies to all domestic prepayment customers, except those with a fully interoperable smart meter (also known as a SMETS2 meter).
- The SLC sets out how the price cap is calculated and updated, and rules about how suppliers must report their compliance with the price cap to Ofgem.

### SLC 28AD Regulation of charges for Domestic Customers supplied under certain Domestic Supply Contracts



- From 1 January 2019, customers who pay standard variable and default rates are protected from being overcharged through a price cap, in order to ensure that prices paid closely reflect the cost of energy supplied.
- Customers that benefited from the WHD safeguard tariff have been moved onto this default tariff cap. However, customers benefiting from the prepayment meter cap are exempt.

In addition to these SLCs, there are a number of other rules setting out how and when suppliers should communicate information about the terms and conditions of tariffs and products to consumers, including SLC 31A, 31B, and 31E.

## Obligations outside the supply licences

There are regulatory obligations relating to this theme that suppliers should be aware of, other than those in the gas and electricity supply licences. This section is not intended to provide an exhaustive list and we remind suppliers they are responsible for ensuring compliance with all applicable laws and regulations.

- **The Consumer Rights Act 2015:** This Act sets out rules about how consumers buy, and how businesses sell to them in the UK. This includes unfair terms in consumer contracts and consumer notices, rules around how services should match up to what has been agreed, and what should happen when they do not, or when they are not, provided with reasonable care and skill.<sup>2</sup>
- **Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013:** These regulations cover issues such as what pre-contractual information must be communicated for contracts depending on where they are

<sup>2</sup> The Unfair Terms in Consumer Contracts Regulations 1999 were superseded by the Consumer Rights Act 2015. However, they still apply to contracts formed before October 1 2016.

concluded or offered, rules on unsolicited supply of goods and additional payments, the right to cancel, and cooling off periods and provisions on premium rate call centres.

- **The Consumer Protection from Unfair Trading Regulations 2008:** These regulations prohibit unfair commercial practices such as misleading actions or omissions, and aggressive practices. Certain behaviours are also 'blacklisted' and always unfair.

### 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 theme better. Suppliers may wish to consult other helpful materials about good practice, for example those published by Citizens Advice.

Document	Date
Reforms to domestic supplier-customer communications licence conditions, including the introduction of five new principles-based rules: <ul style="list-style-type: none"> <li>• <a href="#">Final decision</a></li> <li>• <a href="#">Statutory consultation</a></li> <li>• <a href="#">Policy consultation</a></li> <li>• <a href="#">Working paper</a></li> <li>• <a href="#">Open letter</a></li> </ul>	Dec 2018 Sep 2018 May 2018 Dec 2017 Sep 2017
<a href="#">Guidance</a> on the requirements around tracker tariffs	Oct 2017
The latest version of the <a href="#">reporting template</a> that suppliers are asked to use to submit information on compliance with the PPM price cap (including FAQs)	Feb 2017
Modifications of the electricity and gas supply licences to remove certain RMR Simpler Tariff Choices rules: <ul style="list-style-type: none"> <li>• <a href="#">Final decision</a></li> <li>• <a href="#">Statutory consultation</a></li> <li>• <a href="#">CMA provisional remedy</a></li> </ul>	Sep 2016 Aug 2016 Apr 2016
Documents relating to smart prepayment consumer protections, confirming our proposals for changes to the Social Obligations Reporting: <ul style="list-style-type: none"> <li>• <a href="#">Final decision</a></li> <li>• <a href="#">Smart prepayment proposals</a></li> </ul>	Mar 2016 Sep 2015
<a href="#">Guidance</a> on the process for requesting a derogation from an electricity or gas supply Standard Licence Condition introduced or modified as part of the Retail Market Review reforms	Nov 2015
Documents regarding treatment of white label providers in the domestic retail market: <ul style="list-style-type: none"> <li>• <a href="#">Final decision</a></li> <li>• <a href="#">Statutory consultation</a></li> <li>• <a href="#">Policy consultation</a></li> </ul>	Jun 2015 Feb 2015 Sep 2014
Conclusions from an <a href="#">enforcement investigation</a> into E.ON's compliance with SLCs 23 and 24	May 2015
<a href="#">Open letter</a> clarifying issues relating to information flows between suppliers and TPIs, including access and format of tariff data, and directs stakeholders towards various ongoing activities of interest	Mar 2015

<p>Introduction of licence condition 21D relating to environmental claims on tariffs that supply renewable electricity to domestic customers (green tariffs):</p> <ul style="list-style-type: none"> <li>• <a href="#">Final decision</a></li> <li>• <a href="#">Statutory consultation</a></li> <li>• <a href="#">Final proposals</a></li> <li>• <a href="#">Policy consultation</a></li> </ul>	<p>Dec 2014 Oct 2014 Jun 2014 Dec 2013</p>
<p>Licence modifications in relation to automatic rollovers and contract renewals for microbusiness consumers:</p> <ul style="list-style-type: none"> <li>• <a href="#">Final decision</a></li> <li>• <a href="#">Statutory consultation</a></li> <li>• <a href="#">Policy consultation</a></li> </ul>	<p>Nov 2014 Jul 2014 Feb 2014</p>
<p><a href="#">Open letter</a> offering guidance on suppliers' rights and obligations in the case of gas or electricity theft</p>	<p>Jul 2014</p>
<p>Conclusions from an <a href="#">enforcement investigation</a> into Scottish Power's compliance with SLC 27</p>	<p>Jul 2014</p>
<p>Conclusions from an <a href="#">enforcement investigation</a> into Scottish Power's compliance with the Consumer Protection Regulations 2008</p>	<p>Oct 2013</p>
<p><a href="#">Guidance</a> on SLC 22 regarding the bilateral exchange of tariff information between suppliers</p>	<p>Feb 2013</p>

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.***