



Making a positive difference
for energy consumers

The Company Secretary

British Gas Trading Limited
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Date: 25 June 2019

Dear Sir/Madam,

Derogation from the Prohibition of Dead Tariff rules to exit the supply of SVTs

This letter sets out the decision of the Gas and Electricity Markets Authority¹ (the "**Authority**") to grant British Gas Trading Limited (Company number 03078711; the "**Licensee**"), a temporary and limited derogation from certain elements of standard licence condition ("**SLC**") 22D of its gas and electricity supply licences.

The directions are attached to this letter and will be published on our website. They are effective from 1 July 2019 until 31 October 2020, unless revoked earlier or varied in writing by the Authority. Any change in circumstances relevant to the directions must be reported to the Authority without delay.

This letter constitutes the notice, under section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986, of the reasons for the Authority's decision to issue the attached directions. Capitalised terms used in this letter, which are not defined herein, have the meaning given to them in the standard licence conditions of gas and electricity supply licences.

Background to the direction request

The Authority received a written application from the Licensee on 12 April 2019 for a derogation from paragraph 1 of SLC 22D of its gas and electricity supply licences. The Licensee has previously been granted a related derogation on 29 March 2018 from certain elements of SLC 22D by the Authority, which is due to expire on 30 June 2019.² The Licensee's application amounts to a request to extend the existing temporary and limited derogation.

The Licensee has stated that the objective of its approach is to maximise customer engagement by encouraging its customers to sign up to Fixed Term Contracts ("**FTCs**"). The Licensee had previously published its views on why it wanted to shift the focus of its business model from Standard Variable Tariffs ("**SVTs**") towards FTCs on its website.³

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

² Please see the Authority's decision of 29 March 2018. Link: <https://www.ofgem.gov.uk/publications-and-updates/decision-grant-british-gas-trading-limited-temporary-and-limited-derogation-aspects-standard-licence-condition-22d-electricity-and-gas-supply-licences>

³ The Licensee has published its views at this link: <https://www.centrica.com/news/why-getting-rid-standard-variable-tariff-good-all-customers>

The Authority's Decision

Based on the information provided by the Licensee, and having regard to our principal objective and statutory duties, the Authority has decided to issue the requested derogation. However, it is a condition of this derogation that the Licensee provides the Authority with further evidence by 31 October 2019, to demonstrate the extent to which the derogation has achieved its stated objective of a positive impact on consumer engagement, for those customers on the Licensee's Dead Tariff named "Temporary Tariff". This is to provide assurance that the derogation has delivered benefits to affected consumers.

The Authority has decided to issue the requested derogation for the following reasons:

- We do not consider that the proposal by the Licensee goes against the objectives of our retail market policies, which are focused on protecting customers' interests and stimulating competition;
- We have committed to encouraging and providing suppliers with flexibility to deliver better outcomes for customers, which includes supporting initiatives that may increase consumer engagement; and
- Since the existing derogation was granted, the Authority has implemented the default tariff price cap.⁴ The Licensee's customers are also protected by the default tariff price cap when moving onto the Licensee's Dead Tariff.

Under these directions, the Licensee must inform the Authority without delay of any changes in circumstances that are relevant to the decision to grant this derogation.

If you have any questions about this decision, please contact Ofgem's Derogations team, at Derogations@ofgem.gov.uk.

Yours faithfully,

Anthony Pygram
Director
Conduct and Enforcement

⁴ See here: <https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/default-tariff-cap>.

ATTACHMENT 1: Electricity Supply Licence

The Company Secretary
British Gas Trading Limited
Millstream
Maidenhead Rd
Windsor
Berkshire
SL4 5GD

Direction issued by the Gas and Electricity Markets Authority under standard condition 22D of the Electricity supply licence granted or treated as granted under section 6(1)(d) of the Electricity Act 1989 to British Gas Trading Limited

To: British Gas Trading Limited (Company Number 03078711, “the Licensee”)

1. The Authority issues this direction pursuant to paragraph 21 of standard condition 22D (“**SLC22D.21**”) of the Electricity Supply Licence (“the **Licence**”) granted under section 6(1)(d) of the Electricity Act 1989 to the Licensee.
2. Capitalised terms used in this Direction which are not defined in this Direction shall have the meaning given to them in the Licence.
3. SLC 22D.21 provides that the Authority may issue directions relieving the Licensee of its obligations to comply with specified parts of standard condition 22D to such extent and subject to such conditions as the Authority may direct.
4. The considerations and rationale of the Authority’s decision are set out in the accompanying letter to the Licensee, dated 25 June 2019.
5. The Authority directs that, subject to the condition set out below, the Licensee is relieved of its obligations to comply with paragraph 1 of standard condition 22D of the Licence (“the **Derogation**”).
6. The Licensee may only rely on the Derogation if it produces evidence to the Authority by 31 October 2019, which the Authority deems satisfactory, that the Derogation has had a positive impact on consumer engagement for those customers on the Licensee’s Dead Tariff named, “Temporary Tariff”. If the Licensee fails to do so, the Authority would, in accordance with the accompanying letter to the Licensee, start the process of revoking the derogation.
7. This Direction shall take effect from 1 July 2019 and shall remain in force until expiry on 31 October 2020, unless it is revoked earlier or varied in writing by the Authority.

Dated: 25 June 2019

Anthony Pygram

Director, Conduct and Enforcement

Signed on behalf of the Authority and authorised for that purpose.

ATTACHMENT 2: Gas Supply Licence

The Company Secretary
British Gas Trading Limited
Millstream
Maidenhead Rd
Windsor
Berkshire
SL4 5GD

Direction issued by the Gas and Electricity Markets Authority under standard condition 22D of the Gas supply licence granted or treated as granted under section 7A (1) of the Gas Act 1986 to British Gas Trading Limited

To: British Gas Trading Limited (Company Number 03078711, “the Licensee”)

1. The Authority issues this direction pursuant to paragraph 21 of standard condition 22D (“**SLC22D.21**”) of the Gas Supply Licence (“the **Licence**”) granted under section 7A (1) of the Gas Act 1986 to the Licensee.
2. Capitalised terms used in this Direction which are not defined in this Direction shall have the meaning given to them in the Licence.
3. SLC 22D.21 provides that the Authority may issue directions relieving the Licensee of its obligations to comply with specified parts of standard condition 22D to such extent and subject to such conditions as the Authority may direct.
4. The considerations and rationale of the Authority’s decision are set out in the accompanying letter to the Licensee, dated 25 June 2019.
5. The Authority directs that, subject to the condition set out below, the Licensee is relieved of its obligations to comply with paragraph 1 of standard condition 22D of the Licence (“the **Derogation**”).
6. The Licensee may only rely on the Derogation if it produces evidence to the Authority by 31 October 2019, which the Authority deems satisfactory, that the Derogation has had a positive impact on consumer engagement for those customers on the Licensee’s Dead Tariff named, “Temporary Tariff”. If the Licensee fails to do so, the Authority would, in accordance with the accompanying letter to the Licensee, start the process of revoking the derogation.
7. This Direction shall take effect from 1 July 2019 and shall remain in force until expiry on 31 October 2020, unless it is revoked earlier or varied in writing by the Authority.

Dated: 25 June 2019

Anthony Pygram

Director, Conduct and Enforcement

Signed on behalf of the Authority and authorised for that purpose.