



Making a positive difference
for energy consumers

To: All licenced energy suppliers

Email: energypriceguarantee@ofgem.gov.uk

Date: 16 March 2023

Dear Supplier,

Energy Price Guarantee (Domestic) scheme – regulatory expectations letter for Standard Licence Conditions 23, 31I, 22C, 25, 31F and 22C.9.

Further to our letters of 27 September 2022¹ and 16 November 2022² we wish to set out our regulatory expectations regarding Standard Licence Conditions (SLCs) and EPG scheme obligations. Our primary duty is to protect all consumers and we will continue to work with government, suppliers, charities, and consumer groups to do this.

We understand the uncertainty and challenges suppliers are facing around system changes, new and changing policy decisions, and communicating with customers. We previously acknowledged that, accepting the speed at which the EPG is progressing, there may be situations in which suppliers may have, temporarily, not been able to discharge some licence obligations to the high standards expected of an essential service

¹ Ofgem (2022), Energy Price Guarantee (Domestic) scheme – regulatory expectations letter <https://www.ofgem.gov.uk/publications/energy-price-guarantee-domestic-scheme-regulatory-expectations-letter>

² Ofgem (2022), Energy Price Guarantee (Domestic) scheme – regulatory expectations for Standard Licence Conditions (SLC) 25, 31F and 31I <https://www.ofgem.gov.uk/publications/energy-price-guarantee-domestic-scheme-regulatory-expectations-standard-licence-conditions-slc-25-31f-and-31i>

provider. As such, Ofgem's compliance and enforcement approach with respect to suppliers' licence obligations and their interaction with the EPG, will remain pragmatic whilst adhering to the principles of appropriate consumer protection.

Nevertheless, where suppliers contravene (or Ofgem considers they are likely to contravene) their Licence Conditions, Ofgem will act swiftly to address this and take appropriate compliance and enforcement action in line with its respective compliance processes and Enforcement Guidelines.³ Ofgem will also expect that where suppliers' actions lead to consumer detriment, suppliers will ensure that affected consumers are refunded any detriment and receive appropriate redress where necessary.

We expect suppliers to deliver EPG to all eligible domestic consumers in accordance with the requirements of the SLCs and the EPG contracts. If a supplier experiences any issues with delivery at any point, the supplier must notify us at the earliest possible opportunity.

Application of SLCs 23, 31I, 22C, 25, 31F

The SLCs for gas and electricity supply set out the obligations that suppliers must meet in notifying consumers of price changes. In addition, section 8 of the EPG scheme document⁴ provides contractual obligations for suppliers to notify customers of tariff changes. It is vital consumers are charged on the right basis; however, we recognise that there may be some instances where suppliers are not able to meet the communication requirements set out in the SLCs and EPG scheme guidance.

We note that suppliers need certainty and clarity as soon as possible to plan their outgoing communications and we have listened to supplier concerns about meeting their obligations. Suppliers should, as far as reasonably possible, comply with business-as-usual practices in line with SLCs and the obligations set out in the EPG scheme document. It is imperative that where customers' prices are changing, they have timely and accurate information.

Ofgem's approach to compliance and enforcement matters in relation to the EPG's interaction with suppliers' licence obligations and in particular:

- the timeliness and fullness of the information suppliers are able to provide consumers about the terms of their domestic supply contract (SLC23),

³ Enforcement Guidelines (Ofgem, 2022) <https://www.ofgem.gov.uk/sites/default/files/2022-03/Enforcement%20Guidelines%2023%20March%202022.pdf>

⁴ <https://www.gov.uk/government/publications/energy-price-guarantee-scheme-documents>

- price increase and contract change notifications (SLC31I),
- renewal of fixed term contracts (SLC22C), and
- tariff comparability data to inform consumer choices (SLC25 and 31F)

will continue to be both pragmatic and proportionate. Given the complexity of the messages around price changes while the EPG scheme is in place, communications on price changes to affected consumers should be as simple as possible, so we will take a proportionate approach to compliance with the information requirements and principles-based timing of notifications under SLC 25, 31F and 31I. We believe this approach strikes the right balance between ensuring consumer protection and recognising the temporary difficulties suppliers may face regarding licence and scheme obligations. In our compliance actions we will focus on ascertaining whether suppliers have made reasonable efforts to give consumers the best possible information which was available to suppliers in a timely and proportionate manner.

Application of SLC 22C.9

Ofgem also note that questions were raised by suppliers in relation to the application of SLC 22C.9 following the updated EPG Support Rates from April 2023. SLC 22C.9 prevents the supplier from unilaterally varying a Fixed Term Supply Contract to increase the Charges for the Supply of Electricity. The EPG contract requires the supplier for each Tariff Period to reduce the Base Tariff (the tariff which the supplier would have charged the consumer but for the EPG Scheme) by the EPG Support Rate, subject to the Reduced Tariff Floor ("the Reduced Tariff").

Changes to the EPG Support Rates may result in increases or decreases in the Reduced Tariff charged to consumers in subsequent Tariff Periods. When the Scheme ends, the original fixed rate will be applied, if the Fixed Term Supply contract has not already come to an end. Whereby the Reduced Tariff is applied in a subsequent Tariff Period resulting in an increase in the amount charged to a consumer relative to a previous Tariff Period, Ofgem does not consider this to be a variation of a Fixed Term Contract to increase the Charges for Supply. Therefore, this would not constitute a breach of SLC 22C.9.

Treatment of Pre-Payment Meter customers

We also understand that, with rapidly evolving EPG policy, suppliers may have difficulty in updating traditional Pre-Payment Meters (PPMs) in time for 1 April, when the updated EPG rates become effective. In the event of this, suppliers must keep their Ofgem

Account Manager informed. We would expect suppliers to refund any overpayment made by customers while PPMs are updated correctly. It is imperative that customers are charged on the right basis and realise the benefits of the EPG.

Suppliers must continue to keep their Ofgem Account Manager apprised of performance matters and any issues arising that could potentially be in breach of the SLCs or could otherwise cause detriment to consumers. We will also continue to work closely with the Department for Energy Security and Net Zero, suppliers, and industry bodies to identify and respond to emerging issues. If you have any questions regarding this letter, please contact the Energy Price Guarantee team at energypriceguarantee@ofgem.gov.uk.

Yours sincerely

Maureen Paul

Deputy Director Retail Market Policy

Prohibition on increasing the Charges for the Supply of Electricity and other adverse unilateral variations

22C.9 Without prejudice to paragraph 22C.5 or paragraph 22C.7, in relation to any Fixed Term Supply Contract, the licensee must not:

(a) increase the Charges for the Supply of Electricity (including, but not limited to, by making any reduction in the amount of a Discount that is directly applied to a Unit Rate or Standing Charge); or

(b) unilaterally vary any other terms and conditions in any way which is to the disadvantage of a Domestic Customer