

Notice of reasons under section 49A of the Electricity Act 1989 for the decision to make a Provisional Order under section 25(2) of the Electricity Act 1989

Farringdon Energy Limited trading as Champion Energy ("Farringdon")(company number 09256369) having its registered office at **Endeavour House 3rd Floor, Coopers End Road, Stansted, England, CM24 1SJ**, holder of an electricity supply licence granted or treated as granted under section 6(1)(d) of the Electricity Act 1989.

- A. This Notice sets out the reasons why, on 9 May 2024, the Gas and Electricity Markets Authority ("the Authority") made a provisional order in respect of likely contraventions by Farringdon (the "Provisional Order").
- B. Farringdon is the holder of an electricity supply licence granted by the Authority and is subject to the conditions thereunder, which are "relevant conditions" for the purposes of the Electricity Act 1989;
- C. The Provisional Order was made as it appeared to the Authority that Farringdon was contravening, or likely to continue to contravene, relevant conditions and requirements by virtue of the following conduct:
 - i. Farringdon has been receiving payments from approximately 200 Customers and consumers for supply of electricity. It appears that Farringdon has not supplied this energy and has not informed the Customers and consumers of this.
 - ii. The Customers and consumers are, unknowingly, being supplied by other energy companies. There is evidence that these companies are not being paid for their supply.
 - iii. There is evidence that the Customers and consumers are unknowingly accruing debt to the true suppliers of their electricity.

D. The Authority has been made aware of the conduct outlined above via intelligence received from third parties.

E. Standard Licence Condition (“SLC”) 4A provides the following:

i. SLC 4A. Operational capability

4A.1 The licensee must ensure it has and maintains robust internal capability, systems and processes to enable the licensee to:

(a) efficiently and effectively serve each of its Customers;

(b) efficiently and effectively identify likely risks of consumer harm and to mitigate any such risks

F. It appears to the Authority from information currently available to it that Farringdon does not have the internal capability, systems and processes to efficiently and effectively serve its Customers or to efficiently and effectively identify likely risks of consumer harm and to mitigate any such risks. This is the result of Farringdon contracting to supply non-domestic Customers and consumers with electricity, the Customers and consumers are then unknowingly signed up to be supplied by other licensed energy suppliers. Subsequently, Farringdon collects payment for the energy supplied but said payment is not passed on to suppliers, in turn leading to the consumer inadvertently accruing debt with the actual supplier of their electricity.

G. The Authority considers it requisite to issue a Provisional Order rather than consulting on a Final Order. It is not appropriate in these circumstances to allow the delay (of at least three weeks due to the statutory consultation process) associated with a Final Order. This Provisional Order will act to mitigate the risk that Farringdon may be imminently preparing to restructure funds across a range of newly incorporated entities. This risks further harm to consumers who would be further affected by the loss of the funds held by Farringdon and could result in market-wide detriment from mutual costs if Farringdon restructure and exit the market entirely. The Authority considers it is requisite to immediately intervene to secure compliance with SLC 4A.

- H. The Authority has had regard to the matters in sections 25(3), (4A), (4B), (5) and (5A), and section 26 of the Electricity Act 1989. In particular:
- i. it does not consider that it would be more appropriate to proceed under the Competition Act 1998 (that Act has no application to the present circumstances);
 - ii. it is satisfied that the duties imposed on the Authority by sections 3A to 3C of the Act do not preclude the Authority from making the Provisional Order (on the contrary, it considers that its duties require it to make the provisional order); and
 - iii. it does not consider that the apparent contraventions are trivial.
- I. For the above reasons, the Authority decided to make the Provisional Order requiring Farringdon to take the following actions:
- 1) Not act in contravention of SLC 4A.1.
 - 2) Within 7 days of the date of the Provisional Order terminate all direct debits to Farringdon by customers who pay Farringdon for supply of electricity but do not receive their electricity from Farringdon.
 - 3) Within 7 days of the date of the Provisional Order, inform all customers referred to in 2) above, in writing, (a) that their direct debit has been cancelled, (b) that Farringdon is not their electricity supplier, (c) of their customer reference number and (d) of their licenced electricity supplier.
 - 4) Within 7 days of the date of the Provisional Order, provide to the Authority a list of all customers who pay Farringdon for supply of electricity but do not receive their electricity from Farringdon, along with the name, address and contact details of each customer's electricity supplier and the customer reference number.
 - 5) Within two weeks of the date of the Provisional Order, provide to the Authority copies of all of Farringdon's customer contracts.

- 6) Within four weeks of the date of the Provisional Order, provide the Authority with a report confirming that it has complied with (1), (2), (3) and (4) above. Said report must be accompanied by supporting documentation to evidence compliance with (1), (2), (3) and (4) above and be accompanied by an attestation signed by a Director of Farringdon confirming that its contents are full and accurate.
- 7) Within four weeks of the date of the Provisional Order, provide the Authority with a report confirming that it has robust systems in place to effectively serve its customers and to identify and mitigate risk of consumer harm.
- 8) Until the terms of the Provisional Order are met and the Authority has confirmed in writing to Farringdon that the terms of the Provisional Order are met, Farringdon shall:
 - a. Refrain from all sales, marketing and customer acquisition activity, including the acquisition of any new non-domestic customers.
 - b. Refrain from making any payment, providing any loan or transferring any asset to any third party unless that payment, loan or transfer is essential to Farringdon's operation as a supplier of electricity to consumers.
- J. The Provisional Order and this Notice are published online at: <https://www.ofgem.gov.uk/energy-policy-and-regulation/compliance-and-enforcement/investigations-orders-and-penalties>. The Provisional Order has been served to Farringdon on 9 May 2024.
- K. The Authority will, in due course, consider whether to consult on confirming the Provisional Order (with or without modifications). Unless earlier confirmed or revoked by the Authority, the Provisional Order will lapse on 7 August 2024.
- L. The issuance of the Provisional Order is without prejudice to any further or other enforcement action the Authority may decide to take, in relation to this or any other outstanding or future breaches. The Authority will consider whether it is appropriate to impose a financial penalty on Farringdon in relation to this breach.

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for energy consumers

Dated: 9 May 2024

Signed:

Charles Hargreaves
Deputy Director, Enforcement

Duly Authorised on behalf of the Gas and Electricity Markets Authority