Citizens Advice response to Ofgem's Consultation on Deemed Contracts and Standard Licence Conditions 7.3 and 7.4

Citizens Advice
July 2026

About us

We can all face problems that seem complicated or intimidating. At Citizens Advice we believe no one should have to face these problems without good quality, independent advice. We give people the knowledge and the confidence they need to find their way forward - whoever they are, and whatever their problem.

We provide support in approximately 2,500 locations across England and Wales with over 18,000 volunteers and 8,650 staff.

Through our advocacy work we aim to improve the policies and practices that affect people's lives. No one else sees so many people with so many different kinds of problems, and that gives us a unique insight into the challenges people are facing today.

As the statutory consumer watchdog for the energy and post industries we have an important role to play in shining a spotlight on the problems consumers encounter, providing solutions to these problems and ensuring their voices are heard when important decisions are made about the future of these essential markets.

Executive summary

Citizens Advice welcomes the opportunity to respond to Ofgem's proposed changes to their guidance on Deemed Rates. We agree that the proposed changes will enhance clarity in the areas outlined, and remove key ambiguities relating to SLC 7.3 and 7.4. We are strongly supportive of Ofgem's proposal to introduce a comparative approach to bad debt recovery, aligning deemed contract and contracted consumers, but would encourage Ofgem to produce guidance which outlines situations in which a security deposit may be deemed acceptable, as well as what constitutes 'reasonable' recovery of bad debt.

However, **we believe that the updated guidance fails to address two significant issues which are commonly experienced by non-domestic consumers on deemed contracts: billing frequency and change of tenancy.** Therefore, while we support the proposed updates to the guidance, we also urge Ofgem to consider how to address these outstanding issues for consumers who are on deemed contracts.

Q1. Do you agree with our proposals on situations when we will generally view a deemed contract to exist depending on a customer's ability to consume energy? Please provide your reasons.

We agree that a deemed contract is likely to exist under the criteria outlined in A1.31, including when a new occupant moves into a new premise or in some circumstances when an existing contract expires while consumption continues. However, we are concerned that the guidance fails to address issues consumers frequently experience with change of tenancy. **This often results in consumers being unnecessarily kept on deemed rates for extended periods, despite their efforts to enter into more favourable contracts** (see Q6). We believe that this remains unaddressed in Ofgem's guidance despite it being a source of detriment for microbusinesses and small businesses.

Case study: Marcus' story

Marcus runs a gym microbusiness from a commercial property. He started his business in 2024 and attempted to secure a fixed-term contract immediately upon moving into the premises. However, due to issues surrounding the previous occupant's change of tenancy, the process of setting up an account with the supplier took one year. During this time, despite Marcus' efforts to sign up for a fixed tariff, the supplier kept his business on an expensive deemed rate contract. As a result, Marcus has been left facing significantly higher energy bills through no fault of his own.

Additionally, the guidance would benefit from some additional clarification in reference to A1.59 to avoid ambiguity on whether a rate 'significantly exceeds' a supplier's cost of supply. While we agree that Ofgem's assessment of a supplier's costs should reflect broader market changes, such as volatility of energy prices, at the moment this is open to a range of interpretations.

Q2. Do you agree with our proposal around the reasonable recovery of bad debt? Please provide your reasons.

We agree with Ofgem's proposal to modify the licence condition to reflect that any bad debt recovery from consumers on deemed rate contracts should be reasonable. Encouraging suppliers to employ a 'comparative approach' to recovering bad debt for deemed contract customers as they would from contracted customers will prevent overly onerous debt recovery practices.

However, we think that further clarity regarding what constitutes a 'reasonable' cost is required. We accept that the presence of significant debt levels will be factored into a supplier's risk assessment for setting deemed rates, as signing a customer who has previously defaulted on payments constitutes a cost recovery risk for the supplier. This means that in practice, the risk of continuing to supply an indebted customer has already been accounted for when setting the deemed rate. Suppliers should be conscious of this when making decisions regarding what constitutes 'reasonable' recovery of bad debt.

This is an unsustainable method to recover debt in full, as it would increase the risk of business consumers racking up further debt and struggling more with repayments, leaving both suppliers and businesses in an unsustainable situation. Suppliers should combine any attempt at bad debt recovery with genuine attempts to engage the consumer in question and ensure they can access a suitable tariff. Ofgem could consider producing guidance which indicates what constitutes a 'reasonable' recovery of bad debt, in order to assist suppliers as they interpret such rules.

Q3. Do you agree with our proposed text that reminds suppliers of their obligations around customer transfer blocking and delayed switching? Please provide your reasons.

We strongly support Ofgem's proposals to remind suppliers of their obligations around customer transfer blocking and delayed switching. We are acutely aware of the hardship and detriment that supplier non-compliance causes businesses. We frequently see cases of blocked or delayed switches reported by business customers to our Consumer Service. When a consumer is held on an expensive deemed contract rate their situation is likely to escalate fast, rapidly trapping them in unmanageable debts.

Case study: Lisa's story

Lisa is a microbusiness owner who took over the electricity supply for their commercial premises in October 2023. She did not receive her first bill for the initial month of usage until nine months later, followed shortly after by an additional bill of £24,000 covering the subsequent ten months. As Lisa could not afford to pay the balance in full, she immediately contacted the supplier to arrange an affordable payment plan, which the supplier accepted. Upon realising that she was being charged an expensive deemed rate, Lisa also requested to switch to a more favourable fixed-term tariff. However, the supplier rejected this on the grounds that she had outstanding debt on her account. This situation has remained unresolved for over two years, and Lisa describes the experience as a nightmare that has caused her significant stress while costing a great deal of time and money, through no fault of her own.

Case study: Catherine's story

Catherine is a microbusiness owner who, two years ago, received a £39,000 electricity bill from her supplier for the energy used by communal lightning in some stairwells. She was informed that this was supplied under a deemed contract rate. She believes this is an *erroneous bill and has raised this with the Energy Ombudsman which has a case open. When Catherine tried to switch suppliers to secure a better deal, the current supplier blocked the transfer on the grounds that they could not allow this until the disputed debt was repaid. As a result, Catherine remains trapped on an expensive deemed rate through no fault of her own, with the situation still unresolved years later.*

When suppliers do not follow their obligations, businesses like Lisa's and Catherine's suffer and can end up in a downward spiral of debt. Therefore, we support Ofgem's proposal to clarify examples of poor supplier behaviour in relation to SLC 7.3, including customer transfer blocking and delayed switching due to disputes.

Q4. Do you agree with our proposal around the circumstances in which suppliers should ask for security deposits? Please provide your reasons.

We agree that it is unreasonable for suppliers to ask consumers who are on deemed rate contracts for security deposits in *all circumstances*, on the basis of SLC0/0A. However, if Ofgem were to continue to allow for this practice, we urge that the circumstances under which it is acceptable are clearly outlined in the guidance. In regard to A1.102, we strongly support this clarification that demanding a security deposit while already accounting for bad debt in the deemed rate calculation effectively means that the customer is charged twice for the same risk.

Case study: John's story

John runs a small business. When he first took over the commercial premises, he was forced to pay a security deposit to the supplier just to get the gas and electricity on, due to the previous tenant leaving the site in debt. John has now ended his contract with the supplier and paid their final bill in full, but despite being promised that the deposit would be returned it has not been refunded. John has attempted to contact the supplier over the phone several times but without success.

Q5. Are there any potential implications for domestic customers that the proposed guidance on deemed contract rates may impact on?

We broadly support Ofgem's motivations to clarify SLC 7.3 and 7.4, particularly in terms of how domestic customers are impacted. We feel overall this will provide greater protections for domestic customers. However, there are some areas where we feel this falls short, or where it isn't clear enough.

With regards to A1.42, we feel that the knowledge and intention of a customer must be taken into account. However, the proposed guidance suggests that if a consumer wishes to avoid entering a deemed contract, the supply would need to have already been disconnected. It is unlikely that a consumer would be aware of this and/or may have no control over. Consumers should be given adequate opportunity to make an informed decision about their energy contract, rather than being surprised by finding themselves on a deemed contract.

The current proposal would mean that all tenancies or occupancies would immediately lead to a deemed contract being established, unless a property is disconnected when a consumer moves in. We would consider this unusual, and likely to cause further difficulties for consumers. When a consumer moves into an energised property, they are usually provided with information about their current utility suppliers, but this does not always happen. Particularly where more informal rental arrangements may exist, this information is not always passed along in a timely manner. This means that consumers will struggle to identify the supplier they are supposed to be on a deemed contract with, a process which can cause considerable confusion. Finally, even where a consumer is provided with information which is both **relevant and timely,** there can be delays on the part of the supplier. This risks penalising consumers for the inaction of suppliers. Ofgem should consider carefully what safeguards are in place to protect consumers in such situations from a rapid build-up of debt, and whether or not guidance should be provided to remind suppliers of their obligations to consumers. They should also consider how this will work alongside their existing workstream on the change of tenancy process.

Proposed guidance would set out that compliance with the price cap alone is sufficient to comply with SLC 7.3 and 7.4 (A1.53). We agree that further guidance in regard to the cost of deemed rates for domestic customers is unnecessary. Compliance with the price cap demonstrates compliance with SLC 7.4, and therefore supersedes A1.55-A1.83. Any further guidance to domestic consumers could be misinterpreted to provide an exception to the price cap.

We accept that SLC 14.4a would continue to provide a legitimate reason that a domestic customer transfer may be blocked until outstanding charges have been paid. We feel that the included guidance sets out a clear order of precedence. However, we encourage Ofgem to take this opportunity to work closely with suppliers and discuss their policies for debts built up on deemed contracts. Domestic customers who go into arrears due to a deemed contract they were not aware of should be able to switch to another supplier unless there is a genuine and provable concern they will not repay their debts.

Q6. Do you have any further comments on our proposals for the deemed contract guidance?

We agree with the principle that guidance should be clarified to better protect non-domestic consumers. However, we are concerned that issues related to billing frequency and change of tenancy are frequently experienced by small and microbusiness consumers on deemed rates, and that these remain unaddressed with the current proposals. This is a missed opportunity to make considerable progress in improving consumer protections. These areas must be fully addressed alongside the proposed changes in the guidance.

Billing frequency

Evidence from our Consumer Service data indicates that billing infrequency is an important driver of detriment for business consumers on deemed contracts. We regularly see cases where a small business moves into a new property or is rolled onto a deemed contract but remain unaware of the tariff they are on until months later when the initial bill arrives (see Q3). **Our newest research shows that only 2 in 5 small businesses (37%) receive their bills quarterly, with 3% only receiving their bills annually.**[1] This lack of consistency and transparency is not only unfavourable for businesses, but risks leading to unsustainable debt accumulation that is difficult for suppliers to recover.

Case study: Holly's story
Holly is a microbusiness owner, who in 2023 stopped receiving bills from her supplier. She continued to regularly send meter readings to her supplier, but still found that her account balance displayed as £0. She tried to contact her supplier multiple times to discuss the issue but was unable to. After over two years of not receiving any bills she received an email from her supplier stating that she has been de-energised due to an outstanding debt of £9,000.

Deemed rates are unsustainable for businesses in the long-term and put many consumers at a heightened risk of accumulating debt. **Recontracting businesses at a lower fixed-term tariff is beneficial for all parties involved as it decreases financial pressure on businesses and increases their ability to pay.**

Consumers need to be aware of the rates they are being charged to recontract, which can be achieved through regular billing. **Therefore, Ofgem should introduce requirements for more frequent billing cycles for all business consumers, including those on deemed contracts**. We suggest that quarterly billing as a minimum should be mandated, with monthly billing available to anyone who requests it.

Change of tenancy

[1] Yonder (2026) for Citizens Advice, forthcoming research

Our Consumer Service data demonstrates that business consumers regularly have issues or experience delays setting up an account with the deemed supplier after moving into a new premise. This causes difficulty for the customer to switch from a deemed rate into a more favourable tariff (see Q1).

Our newest research shows that for over one third of businesses (36%) who went through a change of tenancy when moving into new premises, it took between one and three months for this process to be completed. For another 7% it took over three months.[2] This means that **even when consumers are fully aware that they are being charged expensive deemed rates and actively attempt to switch, supplier delays can trap them in these contracts.**

Case study: Ben's story
Ben runs a microbusiness from a commercial property. The previous tenant had been calling their supplier to transfer the occupancy to him, but the supplier ignored the request for months. The transfer was only actioned after the former tenant sought formal support from their local Citizens Advice to resolve the dispute. Due to the supplier's delay in updating the account holder details, Ben was kept on an expensive deemed contract rate despite his efforts to move off it, and is now in debt to his supplier.

Although we are supportive of the proposed changes to the guidance, we encourage Ofgem to consider that this alone cannot solve all issues consumers are experiencing with deemed contracts.

[2] Ibid.