



Department for
Energy Security
& Net Zero

Domestic consumers on non-domestic energy contracts

Summary of Responses to Call for Evidence



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Introduction

A Call for Evidence for domestic consumers with non-domestic energy supply contracts (defined as contracts which are typically used to serve non-residential properties, such as businesses or charities) was published to increase our understanding of this group of consumers, the reasons for these arrangements and the prices that they face. The Call for Evidence was opened for responses on 24 July 2023 and closed on 18 September 2023.

The Call for Evidence received 725 responses. These came from residents of caravan sites (including park homes), customers connected to heat networks, care home residents, self-catering holiday accommodation, occupants of flats above pubs, residents of houseboats, residents of large buildings, travellers and those people paying rent that is inclusive of energy bills. Over half of the responses came from caravan site and park home residents. Responses were also received from landlords and landlord groups, representatives of consumer groups, and suppliers who provide non-domestic contracts to those who are arranging energy contracts on behalf of a domestic consumer.

Why these arrangements are in place

The Call for Evidence received 61 responses from landlords and landlord groups, who provided information on the reasons for these arrangements being in place. Most respondents stated that they arranged the energy supply for residents in caravan parks (including residents in park homes). Some responses were also received from landlords and landlord groups whose tenants are on all-inclusive rents (energy bills are included in their rent).

When asked why the energy supply was arranged for their tenants, the majority of respondents reported that this was due to the setup of the site/accommodation of where these consumers live. For example, park home site owners reported that, due to the way that the park home site is set up, it is only possible to have one supplier for the entire site. A similar response was given by respondents whose tenants lived in large buildings. Most of the respondents reported that as there was only one mains supply into the building, it was only possible for one supplier to provide an energy supply to all flats within the building. Respondents were also asked if they would be happy for their tenants to arrange their own supply. Most respondents answered 'No' and confirmed that as they could only provide one supplier to all tenants it was therefore not possible to allow tenants to choose their own energy supplier.

Access to Government support

Most domestic consumers with domestic contracts have been protected by Ofgem's price cap and benefitted from the subsidised prices under the Energy Price Guarantee (EPG) and direct bill discounts under the Energy Bills Support Scheme (EBSS) over last winter (winter 2022/23). This was not the case for domestic consumers on non-domestic contracts, who have had a different form of protection. The Energy Bills Discount Scheme (EBDS) provides all businesses and non-domestic energy users with a baseline discount on high energy bills between April 2023 and 31 March 2024, and support was provided under the Energy Bill Relief Scheme to those on non-domestic contracts between November 2022 and March 2023. This support would have been received by those who are arranging energy supply for this group of consumers, and it is their legal responsibility to ensure that it is passed on. The Government legislated specifically to create a duty for intermediaries to pass on the benefits of these schemes. As these consumers do not have a direct supply relationship, it is challenging to identify who is eligible and therefore provide financial support (such as the EBSS) to those that need it. This is why the application-based EBSS Alternative Funding (AF) was created, so that consumers who were unable to access support via the EBSS could receive support for their energy bills. Approximately 150,000 applicants received financial support via the EBSS AF.

661 domestic consumers responded to questions on access to Government support. Some respondents reported that although they do not have a direct relationship with their supplier, they have also not been able to receive the EBSS AF payment. The Public Accounts Committee recommended that Government conduct a lessons learned exercise of the energy

support schemes provided last winter so that future schemes can be better designed and delivered¹. This work is ongoing.

A minority of the respondents reported that they were eligible for existing Government support, such as Winter Fuel Payments, Warm Home Discount and cold weather payments. A few respondents reported that they did not know if they were entitled to Government support. Ofgem have recently published a targeted support page on their website for park home residents², and plan to publish similar pages for the traveller community, and those living in care situations and care providers. This will make it easier for domestic consumers on non-domestic contracts to access information on what government support they are entitled to. Park home residents are currently eligible to apply for the Warm Home Discount (WHD) scheme³, Cold Weather payment⁴, and Winter Fuel payment⁵.

Evidence was also received from representatives of consumer groups, who reported that, as these consumers do not have a direct relationship with their energy supplier, they are unable to access their Priority Services Register (PSR). A PSR offers free, non-price protections (such as prioritisation during instances of supply disruption, bill nominee schemes and accessible information) to certain groups of vulnerable consumers.

Therefore, unlike domestic consumers on domestic contracts, this group of consumers are not able to access additional support from either Government or their supplier that they might otherwise be entitled to.

On 7 December 2023, Ofgem published a statutory consultation on proposed licence changes following their Non-Domestic market review⁶ which contains proposals for additional protections for these consumers, including making it easier for these consumers to access the PSR. Ofgem plan to work with network companies to produce a clearer route for vulnerable consumers to identify themselves to network companies in a more consistent way. Ofgem's statutory consultation also sets out their intention to raise awareness of the Maximum Resale Price direction to ensure that end consumers are aware of their rights and that resellers are aware of their obligations. Ofgem will also explore options for easier routes to access support where non-compliance has taken place.

Heat network consumers are often provided communal heating within a block of flats. The Government and Ofgem published a consultation on 4 August 2023 seeking views on heat network consumer protection requirements around pricing, quality of service, transparency of information, and consumers in vulnerable circumstances⁷.

¹ <https://publications.parliament.uk/pa/cm5803/cmselect/cmpubacc/1074/report.html>

² <https://www.ofgem.gov.uk/information-consumers/energy-advice-households/advice-park-home-residents>

³ <https://www.gov.uk/the-warm-home-discount-scheme>

⁴ <https://www.gov.uk/cold-weather-payment>

⁵ <https://www.gov.uk/winter-fuel-payment>

⁶ <https://www.ofgem.gov.uk/publications/non-domestic-market-review-findings-and-statutory-consultation>

⁷ <https://www.gov.uk/government/consultations/heat-networks-regulation-consumer-protection>

Debt and disconnection

A total of 653 domestic consumers responded to the questions on personal debt and disconnection. When asked about their personal energy use, most respondents declared that they had taken steps to reduce their energy consumption. Only a few respondents were on pre-payment meters (PPM) for gas or electric, and therefore the potential and reported level of self-disconnection was limited, although a small number [3] occurrences were reported. A few consumers reported that they were currently in debt because of their energy costs, but only a few of those individuals currently in debt reported having a repayment plan in place with their energy provider. When asked about support provided by their energy supplier, no consumer responding to the call for evidence provided any example of support being received from the party providing energy to them.

Access to meters

A total of 657 domestic consumers responded to questions on meters. The majority of respondents reported that they do not have their own meter. Most of these respondents went on to say that they are not able to request to have their own meter. This issue came up frequently when respondents were asked to explain why they were satisfied or dissatisfied with the way that they got their energy supply. Some respondents reported that as they could not get access to their own meter, it was not possible for them to know if their bill accurately reflected the amount of energy that they use.

High energy prices

A total of 661 domestic consumers responded to the questions on prices. The majority of respondents reported that their energy bills have at least doubled over the last year. The majority of tenants and residents paid for their energy separately from their rent. Where energy bills are included as part of the rent, some respondents were able to see a separate breakdown of the payments. There were a few reported cases where landlords had removed energy bills from a tenant's rent payment.

A wide range of prices were reported for energy unit rates: electricity was between £0.21/kWh - £0.83/kWh; mains gas was £0.31/kWh - £0.64/kWh; bulk Liquid Petroleum Gas (LPG) was £0.55/L - £0.97/L whereas bottled LPG was reported between £65 - £100 for a 47 kg cylinder; and heat network users reported £0.13/kWh - £0.81/kWh for heating and hot water.

The unit rates were only one component of customers' bills and were commonly charged alongside a fixed (standing) charge, and in some cases a charge for communal areas (heating/lighting) and, occasionally, an administration charge. The fixed charges varied between; electricity £0.00/day - £1.90/day; gas £0.25/day - £0.50/day; and for heat network users £0.33/day - £1.90/day.

The diversity of billing structures (fixed and unit rate price, inclusion of communal areas, etc.) reported for both gas and electricity make it difficult for us to make a meaningful comparison of the reported prices with those specified under Ofgem's Default Tariff Cap ('price cap') or the Energy Price Guarantee.

These consumers were eligible for support via the Energy Bill Relief Scheme (EBRS) and then the Energy Bill; Discount Scheme (EBDS), and intermediaries had a legal duty to pass that support on. Total support provided through these schemes was over £7 billion.

Next steps

The Call for Evidence was helpful in increasing our understanding of this group of consumers. The responses highlight the complexity of energy supply and contract arrangements and strongly indicate that many of the households feel that they have a lack of control and transparency over their energy supply. Due to the physical set-up of residences e.g. park home sites and houses of multiple occupancy, the majority of these consumers will continue to receive a communal supply and will not have their own meter. This also means that it will not be possible for the majority of these consumers to be able to choose their own supply arrangements. Therefore, it can be harder to ensure that this group of households can access the services and support that is available to households that do have a direct supply relationship.

There are no straightforward solutions to some of the issues flagged by respondents but, as mentioned previously, the Department and Ofgem have taken action already to address some of the issues raised. We will consider whether any further action is needed once the actions already highlighted have embedded.

This publication is available from: www.gov.uk/government/calls-for-evidence/domestic-consumers-with-non-domestic-energy-supply-contracts-call-for-evidence

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