

Arina Cosac
Ofgem
10 South Colonnade
London
E14 4PU

SSE Energy Services
No.1 Forbury Place
43 Forbury Road
Reading
RG1 3JH

Sent by email to: CDconsultations@ofgem.gov.uk

cher-rae.fairlie@sse.com

24th September 2019

Dear Arina,

Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing

SSE welcomes the opportunity to provide views on the scope of this important consultation. Overall, we support the areas and outcomes Ofgem has identified with regards to protections for consumers. While we do support Ofgem's intent, we would like to highlight our concerns over areas such as self-rationing. This is a highly complex area to monitor and therefore challenges associated, should not be underestimated. As there are no existing obligations in this area, we firmly believe that this policy should be based on a robust impact assessment and remain concerned that Ofgem has decided that costs should be minimal, without providing any clear evidence as to why. While we appreciate an impact assessment is not a sole determinant of a final decision, we would urge Ofgem to undertake a full impact assessment prior to the next phase of this consultation. Please refer to the Annex for our full response.

Summary of SSE Key points

- We appreciate Ofgem's proposed licence conditions are at draft stage, but we are concerned the current wording is too broad around self-rationing and captures many customers, beyond the intent of this policy.
- We cannot identify cases of 'genuine' self-rationing where customers are not willing to engage. Additionally, we are concerned that any efforts to reach out to customers, may be found intrusive as per our experiences of self-disconnection.
- We are concerned that addressing these issues in the short-term by offering repeated amounts of discretionary credit, could have a knock-on effect of worsening the customers overall position as they become further indebted to their energy supplier.
- We are concerned of the proposed use of "interest free loan". We believe this is too broad and may potentially be too open to interpretation, meaning an inconsistent view across industry and customers.
- We understand the rationale behind incorporating the Ability to Pay principles into licence to align with suppliers' current debt practices. However, the proposals at present are too broad and we would welcome further information from Ofgem with regards to the direction of this policy, in order to provide a constructive response that fully informs the process.

We would be happy to discuss any questions you may have on the matters we raise in this response.

Yours Sincerely,

Cher-Rae Fairlie

Policy and Regulation

Annex

Question 1: Do you agree with our proposal to require suppliers to identify prepayment self-disconnection and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

SSE support the requirement to identify prepayment self-disconnection and we are pleased that Ofgem has noted some of the complexities that currently surround correctly identifying customers in the proposals. To aid with the development of this policy, we would like to put forward the forward points for consideration and review:

- **More clarity is required on the “all reasonable steps” threshold.** At this stage, Ofgem’s thinking on the threshold for “all reasonable steps” is not entirely clear. We would welcome further clarification from Ofgem on what those “all reasonable steps” entail, to ensure clear expectations for all suppliers.
- **Final policy proposals should be accompanied with realistic timescales for implementation.** While SSE recognises that smart metering presents a great opportunity to gather improved data to help identify self-disconnection in real time, suppliers will require sufficient time to develop and refine robust monitoring solutions as the roll out continues and we gain more experience of smart prepayment meters.

Question 2: Do you agree with our proposal to require suppliers to identify self-rationing and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

SSE supports the intent behind this outcome and recognises the potential negative impact on customers who are self-rationing their supply. However, this is a highly complex area to monitor and therefore challenges associated, should not be underestimated. As noted previously, in order to make an informed decision regarding this proposal, we urge Ofgem to undertake a full impact assessment so there is an understanding of the cost implications associated with introducing this new requirement. While we aim to ensure customers are not self-rationing and agree that this should be a focus area to target additional help, we do have some concerns as outlined below.

- **Proposed licence conditions do not offer a clear definition of “self-rationing”.** While we appreciate Ofgem’s proposed licence conditions are at draft stage, we are concerned the current wording is too broad and captures many customers, beyond the intent of this policy. We would encourage Ofgem to provide a clearer definition and additionally to take into consideration the constraints of this policy proposal, when setting licence conditions.
- **We cannot identify a ‘genuine’ case of self-rationing without having initial contact from our customers.** We note Ofgem’s view that self-rationing could potentially be identified by calculating a customer’s estimated annual consumption and annual consumption values for each customer, however, we would contend that this is very simplified approach and it does not consider the variety of circumstances that could be causing a reduction in energy consumption. What initially may appear as a case of self-rationing may in fact be due to a change in circumstance, or as Ofgem have highlighted, customers seeking to be more energy efficient through use of their smart meter. While these are two scenarios which may explain a customer’s behaviour, we anticipate others, as per our experiences from self-disconnection.

However, we would like to stress, this is only identifiable through two-way engagement, and as such, our ability to target support effectively is very much dependent on a customer's willingness to engage in the process.

- **There is risk of customers finding this policy process intrusive.** As per our experiences from self-disconnection, we believe customers may find this process intrusive. Regrettably even with the best intentions, we have been met with customer complaints when contacting those who we believe, have self-disconnected. We believe querying a customer's energy usage (in order to identify those who are self-rationing or assist those who are struggling with their bills) will be a difficult conversation to have, due to the sensitivity of the topic. We remain concerned that we will again be met with complaints by customers, who may believe we are attempting to encourage usage for our own benefit, as opposed to attempting to protect their welfare.

Question 3a: Do you agree with our proposal to require suppliers to offer emergency and friendly credit functions for all prepayment meter customers? Question 3b: Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions

Question 4a: Do you agree with our proposal to require suppliers to offer discretionary credit for prepayment meter customers in vulnerable circumstances? Question 4b: Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

SSE supports friendly credit options being available to all and we already do this on traditional electricity meters and both fuels for smart. Although, we would like to flag that we cannot offer this on gas heritage meters, as it is not technically feasible. However, any customer purchasing credit for gas heritage meter would always have 30% available towards usage even if they were repaying a debt via the meter. Additionally, we support discretionary credit being available. At present, we do this through a governed policy. While we are supportive of both proposals, we do have some concerns and have provided recommendations below.

- **Recognising the extent to which suppliers can support customers.** By introducing this new policy, Ofgem should be cognisant that suppliers have an obligation to ensure any actions taken are not putting customers at risk of further detriment. We are concerned that addressing issues in the short-term by offering repeated amounts of discretionary credit, could have the knock-on effect of worsening the customers overall position as they become further indebted to their energy supplier. While we accept there should be a responsibility on suppliers to provide appropriate short-term support to customers who are identified as struggling financially, it should also be acknowledged that the causes of affordability issues often go much wider than energy, and energy suppliers can only do so much to help improve outcomes for customers in these difficult situations. For example, while a key part of our approach is to encourage customers to explore assistance channels, it is ultimately a customer's choice whether to engage and seek the support they require.
- **We note and welcome reference to Ofgem working with Government more closely to assist customers with longer term financial insecurity.** This is a key contributing factor to self-disconnection and self-rationing, more so than short term issues in our experience. As noted above, discretionary credit can help to address temporary financial hardship, however, when dealing with customers who are experiencing ongoing affordability issues, suppliers are reliant on customers seeking appropriate support, such as through debt advice services. Given the

importance of this step, we welcome Ofgem's decision to work more closely with Government, and we encourage you to find a solution that ensures customers will receive the benefit of specialist support in this area, rather than solely engaging with their energy supplier to assist them on an ongoing basis.

- **We would welcome clarity around Ofgem's proposed licence conditions.** Ofgem's draft Licence conditions state suppliers "must offer Discretionary Credit to that Domestic Customer" and that "in assessing the sum and frequency of Discretionary Credit offered and the related repayment rate, the licensee must consider this on a case by case basis". We believe that it would be difficult to guide customer service staff in providing a consistent outcome for consumers that met both aims and would welcome further guidance that supported Ofgem's expectations on this in practice. It is our view that suppliers should be empowered to understand the needs of a customer before offering a discretionary credit, and we are concerned that under the current "must offer" licence drafting, there is a risk of suppliers not acting in the best interests of the customer.
- **SSE is concerned of the proposed use of "interest free loan".** We believe this is too broad and may potentially be too open to interpretation, meaning an inconsistent view across industry and customers. We also believe this may be misleading customers who may view this as any other financial product which can be accessed continuously when needed, indeed the use of the term "loan" risks energy prepayment services falling within the scope of FCA regulated activity under The Financial Services and Markets Act 2000. Additionally, we feel this approach could mask the financial issues being experienced by the customer and again prevent them from seeing the need to seek additional help with the circumstances outside of their energy supplier.

Question 5: Do you agree with our proposal to incorporate the Ability to Pay principles in the supply licence?

Question 6: Do you agree with our proposal to update the Ability to Pay principles to reflect changes in supplier debt recovery practices? Are there other changes that we should implement?

SSE supports Ofgem incorporating the Ability to Pay principles in to the licence. Ofgem has been clear that these principles must be considered alongside the licence, which we have always taken in to consideration when discussing debt repayment plans for customers. While we are supportive, we do have some concerns.

- As highlighted in our responses to the Consumer Vulnerability Strategy, we anticipate that formalising ability to pay principles and governing under licence, will not in itself address the considerable challenges faced by suppliers when customers can't or won't pay for their energy and choose not to engage when considerable efforts are made to prompt them through our collections processes. Furthermore, in many cases we are unable to manage issues with unpaid bills through to an appropriate resolution due to restrictions in the licence (for example, where requirements prevent us installing a prepayment meter). This is a growing issue, which is causing debt to escalate for an increasing number of customers.
- As we have outlined in previous responses, when a customer is struggling to pay with their energy bills, we will always take in to account their personal circumstances and ability to pay. We remain concerned some suppliers are not currently doing this. We believe it important

that Ofgem ensure that this is being applied across the industry, to ensure customers in vulnerable circumstances, are being safeguarded.

- We understand the rationale behind incorporating the Ability to Pay principles into licence to align with suppliers' current debt practices. At present, Ofgem's proposals in this area are too broad and the direction of this policy is not yet clear. We would welcome further clarification and engagement from Ofgem on the direction of their proposals, in order to provide a constructive response that fully informs the process.