

Energy Supply Probe – proposed retail market remedies

ScottishPower response

Standards of conduct for suppliers	Depends on final content and status
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There are two broad approaches to regulation – a ‘rules based’ regulation approach, which Ofgem has adopted up to now, and the more general ‘principles based’ approach adopted by some other bodies. We would agree that the possibility of moving closer to a principles based approach is a matter which could usefully be considered. However, it would require consultation and debate on a wider platform, including consideration of what specific rules should be removed and the implications for the enforcement regime. Full consideration of these issues is not practicable within the Probe timetable.

For these reasons, we believe that it would be wrong at this stage to seek to incorporate Overarching Standards of Conduct into the current Supply Licences. It would create confusion over the status of the Standards and uncertainty for suppliers. The Standards would also give Ofgem potential backstop powers to take enforcement action where there is no substantive Licence breach, which could lead to significant uncertainty and potentially more defensive and less innovative behaviours.

If Ofgem wishes to explore the concept of using principles to guide regulation, it would be possible for it to develop the Standards as general guidance setting out Ofgem’s expectations as to how suppliers should conduct dealings with domestic customers and its priorities for enforcement. This could be helpful to all parties and we would welcome further discussion with Ofgem on this approach.

However, it would be necessary to develop the drafting of the Standards further before they would be suitable for this purpose. In particular:

- **You must not sell a customer a product or service that he or she does not fully understand or that is inappropriate for their needs and circumstances.**

It is not feasible for a supplier to be able to determine with clarity whether a customer fully understands the product or service that he or she chooses, and further for it to be able to demonstrate this in such a way as to prove compliance with this standard.

We also have doubts as to the ability of a supplier to assess whether a product meets the customer’s needs and circumstances. In particular, assessing those needs and circumstances in depth could require a costly information collection exercise (which would itself be dependent on the quality of information supplied by the customer). And it seems to us difficult to demonstrate compliance in relation to such questions as whether to take a fixed price, capped or variable offer – which relate to the consumer’s perception of future price movements and attitude to risk.

It would be useful to discuss with Ofgem the kinds of behaviour that this Standard is intended to address, so that we could make suggestions about how to capture the concept more clearly in any guidance.

- **You must not change anything about a customer’s product or service without clearly explaining to him or her why.**

We think that the use of the word “anything” may be cause this Standard to go much wider than intended. Many aspects of a customer’s service (such as the algorithm used for estimating consumption or the meter reading cycle) are internal to the supplier or not governed in detail by the contract. Suppliers are constantly seeking to improve their products or services to customers, and the way in which these are delivered, and it would not be helpful to send repeated communications to customers for minor changes that do not cause detriment to the customer.

Customers are already protected by specific requirements to notify them of any significant unilateral contract variations which act to their disadvantage; it is not clear whether this Standard is aimed as these variations or more widely – and if so, how much more widely.

It is also unclear why the proposed Standard is to give reasons to the customer rather than simply notifying him or her of the fact of the change. It is unclear to us how much detail would be looked for in the reasons.

- **You must not prevent a customer from switching product or supplier without good reason.**

We would need to understand what “good reason” means in this context. There are clear rules on objections in the domestic market which we believe are in the interests of consumers, and we would want to understand whether “good reason” was intended to be a reference to these rules or a means to alter them. On switching of product, we would want to understand whether we would be able to insist on reasonable termination fees (eg for fixed price offers, to discourage arbitrage) or to refuse credit terms to minimise debt risk.

- **You must not offer products that are unnecessarily complex or confusing.**

We think that this Standard could have a negative impact on innovation and consumer choice since a new product is more likely to be deemed “complex or confusing” than the existing familiar ones. In addition, the test here seems somewhat subjective. It would be good to understand more clearly what kinds of product Ofgem wishes to be removed from the market, in order that this element of guidance could be better developed.

- **You must make it easy for customers to contact you and act promptly and courteously to put things right when you make a mistake.**

We are very happy with this as a statement of what we want to achieve with our customer service. Obviously, there will be occasions when suppliers fall short – for example, when an advisor needs some retraining or when a surge in call volumes temporarily makes it hard to get through. It will be important that any guidance based on this Standard is developed with that in mind.

Improving customer information and addressing tariff confusion	Accept in part
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At ScottishPower, we believe that it is essential that all communications with customers are straightforward, concise and give the customer a clear message or call to action. Ofgem should seek to ensure that any information that is required to be sent to customers is necessary and relevant. There is also an important balance to be struck between the number and type of communications sent to the customer – too many and the customer may reach saturation point, meaning that the impact of key communications is lost.

Therefore, while we are broadly supportive of measures to improve the information on bills and statements, and like the concept of a price metric, we are keen to ensure that this remains as simple and effective for customers as possible. Our thoughts on the individual proposals are considered in further detail below, but at high level:

- The bill is already heavy with regulatory information and further additions to this could require additional pages to the bill, increasing both the environmental footprint and costs to the wider customer base. We would promote a wider review of all regulatory information requirements with the aim of simplifying these where possible. In the meantime, Ofgem should bear in mind that suppliers make significant investments in developing their bills to meet the needs of their customers, and should require changes to be made only where necessary.
- We support the introduction of a simple price metric that can be reflected across bills and statements and used in price comparisons and sales quotes. A simple, effective metric has the potential to provide greater clarity for customers, while still allowing innovation and product development within the market. In order to present the most simple, effective metric possible, we would support the inclusion of information on the customer's consumption and tariff details in kilowatt hours (kWh) and pence per kWh only.
- We would like to see more flexibility on the proposed timing of the annual statement, so that it can be more efficiently integrated with other communications that the customer receives throughout the year. For example, we use the quarterly bill to notify most price changes, together with the customer's right to switch, and are upgrading our systems to give full tariff information. It would not be helpful to send an additional annual statement at the same time. Instead we have proposed that the information is presented on each bill or statement sent to the customer, at least once a year. This would provide the customer with clearer tariff information but avoid the need for additional communications.

Clear tariff details

ScottishPower bills already include the name of the customer's current tariff, so we are happy to develop this to include the full name and end date of the tariff where relevant. This may involve some system development cost, which we would seek to minimise.

Price metric

We support the introduction of a simple price metric that can be reflected across bills and statements and used in price comparisons and sales quotes. A simple, effective

metric has the potential to provide greater clarity for customers, while still allowing innovation and product development within the market.

At a general level, we would support a metric similar to that in Ofgem's illustrative example 2 from the consultation document, highlighting the unit price and standing charge of each product. This is a practical, simple approach that allows the comparison of tariffs at the same base level, while accommodating the different features of different tariff offerings. Annual usage in kWh is still a relevant measure for use on comparison sites, and will actually better enable the customer to easily compare the key components of different tariff offerings.

Illustrative example 2 is also a better fit with innovative product offerings, such as fixed or capped products, which could not be easily demonstrated through a '£ per year' metric, based on average consumption. This will also be easily reconcilable to the customer's bill, as the unit prices will be shown on the bill.

We understand Ofgem's concern that consumers may struggle to identify with the use of kilowatt hours (kWh) or units and find it difficult to relate this to their individual usage. However, our customer experience of the bill suggests that customers do understand the use of kWh as the basic units used in calculating their bills.

The cost per unit approach is one that customers can identify with, as it is commonly employed in other key service areas, such as mobile telephones (cost per minute or per text) and in grocery shopping (where shelf labels give the pence per 100mls or per 100g). This enables a quick and easy comparison of product costs at base level, without the customer having to worry about their own consumption level and whether or not they are an average user.

While we understand the rationale for suggesting an average user '£ per year' metric, we remain unconvinced that this is the most relevant metric for customers in general, for the following reasons:

- We believe that an average '£ per year' price metric will be more confusing and less useful than a simple overview of the customer's tariff details that can be clearly related to their usage over the previous 12 months. Our own customer research indicates that customers value a personalised account of their energy use, which would not be achieved from average '£ per year' values. This suggests that customers can find it difficult to relate to an average annual cost metric and do not find average annual bill values 'real.'
- Annual energy costs in '£ per year' has the potential to become complex to implement and confusing for customers, in particular where there is a price change or the customer changes product. The most sensible approach would be to estimate the costs on the tariff currently in force, but this would not necessarily reconcile with actual bills. Conversely, a figure which reflected the annual bill could be inaccurate as a predictor of costs going forward, possibly leading to switching decisions based on an inaccurate interpretation of possible savings.
- Given that an average '£ per year' metric only represents a high level cost of a tariff, it is less likely that customers will be able to relate to this metric and understand at a base level how this actually translates in to how they are billed. Conversely, kWhs can be clearly related to the bill, giving customers a strong reference point to understand their own energy costs.

Comparative consumption information

While we are comfortable providing a pricing metric and the customer's consumption details on the bill in kWh, we continue to have concerns about the relevance of the consumption total in relation to the comparative consumption graphs. These graphs, which suppliers have only recently made significant investment in developing, show the customer's current consumption in the current bill period, in comparison to the consumption for the same billing period in the previous year. We think that there is potential for considerable confusion for customers over the range of different consumption formats over the course of the billing year. Accordingly, we would urge Ofgem to ensure that any requirements to provide consumption information remain as simple and straightforward as possible.

Annual Statement

We are supportive of the concept of an annual statement, but believe that this should be considered in line with other initiatives that are designed to provide clearer communications to customers, particularly the work being undertaken to improve Direct Debit communications and notification of price changes on the bill:

- It is not clear how the development of this proposed annual statement will fit with Ofgem's proposals on the presentation of information to monthly Direct Debit customers. We do not feel that there is a need for a Licence Condition defining the information that should be provided to monthly Direct Debit customers, as this is a disproportionate response to a customer service issue that has now been resolved. However, it is also important that the proposed requirements under the Probe do not conflict with the proposed best practice measures, which suppliers are already working towards.
- Providing a forecast of the customer's energy costs, should the customer use the same kWh in the next year, could differ from the actual forecast of consumption and cost that the supplier uses to calculate the customer's Direct Debit monthly payment (for example as a result of any temperature related adjustments). This will potentially be confusing for customers and could stimulate queries about Direct Debit monthly payments because of the requirement to provide conflicting information. In addition, such a forecast would not take account of any future price changes, potentially leading to further confusion.
- ScottishPower notifies customers of price increases on the bill, where the customer receives one in the period, in line with the original intention of Licence Condition 23 and maintains a clear and prominent notification of the right to switch on the bill as part of this practice. Developing a new communication requirement at this point in time, to replace notification on the bill, in the form of an annual statement, would undermine the efficiency benefits that have only just begun to accrue under the new rules.
- We would be comfortable with an amendment to the existing Licence Condition 23, to require notification of price changes to customers, *on the bill or statement where the customer receives one in the period*. We would also support a change to the Condition to require the right to switch notification to be *maintained on the same bill or statement or notification*.

The timing of the annual statement is important and we are also concerned with how it would relate to other communications that the customer receives. For example, a

quarterly billed customer will receive 4 bills across the year. Further to that, if there were 2 price increases in a year, as there were in 2008, on some interpretations of Ofgem's proposals the customer would receive a further 2 annual statements, with potentially different information, only 6 months apart. In order to provide the best service for customers, we believe that suppliers should determine the timing of the statement, taking account of other communications, provided that it is sent to the customer no less than once annually. Suppliers are best placed to judge customers' communications needs and prescriptive requirements should be avoided where possible.

We also believe that a simplification of the information to be provided would be more useful for customers. We have therefore developed a proposal, below, which we believe would address Ofgem's concerns around tariff confusion, while presenting information in the most relevant, clear and consistent way for customers.

ScottishPower proposal

Rather than provide a separate annual statement and differing information on bills, we propose a 'summary of key tariff details' to be included on each bill or statement that is sent to the customer, in line with their regular billing terms but sent once annually as a minimum. This summary would take a table format and include key information on each bill, including the customer's annual consumption, product details and a simple price metric. An illustrative example is provided below.

Such a summary on each bill or statement would minimise customer confusion by providing key information in an easily recognisable format, in line with the customer's communication expectations (as agreed with their supplier).

Region: Manweb	Tariff: Capped Price July 2010
Your annual usage	3,300 kWh (June 08 – May 09)
Unit rate (pence per kWh)	11.223p
Standing charge	15.36p per day
Tariff end date	30 th June 2010
Monthly premium	None
Product discounts	£16.80 per year
Termination Fee	£30

(All prices inclusive of VAT)

Switching reminder

Customers will always currently receive notification of the right to switch at the point of a price increase and we would support an enhancement to the Licence Condition to require suppliers to state this clearly on the bill or statement notifying of the price increase. However, we would wish to retain some flexibility in how to deliver this requirement. In particular, we would not be in favour of prescriptive requirements on the content or format of the switching reminder.

Our own customer research has never highlighted the issue of continuity of supply as a key concern for customers when considering the switching process. Ofgem's own research, outlined in the Probe document, also seems to suggest that customers are more likely to be concerned with the practical problems of switching, such as having to deal with different suppliers, rather than the technical aspects of the process. Therefore, we do not believe it appropriate to require the switching notification to inform customers that switching will not affect their supply. Indeed, rather than reassuring customers, this could have the contrary effect of raising supply continuity as a possible concern in customers' minds.

Introduction of a customer switching guarantee	Accept
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We would support proposals to improve customer awareness of the switching process and are already working with other suppliers and the Energy Retail Association to develop a Peace of Mind guarantee for customers switching supplier. This includes an overview of key steps in the switching process, to manage customers' expectations of switching, and a clear commitment to resolve any issues that the customer may experience.

The Peace of Mind guarantee has already been published online and will be further distributed along with a customer-facing switching leaflet as a clear guide to customers on the switching process. This leaflet is currently in development and is being discussed with Consumer Focus, Ofgem and Citizens Advice.

We are happy to work with all stakeholders to deliver this initiative swiftly. While we are always happy to review the switching process, to improve the customer experience, we are comfortable with Ofgem's view that there is no need for a radical review of the existing switching processes at this time.

We understand that the third EU liberalisation package may require switching to take place within a period of three weeks. If, on analysis of the text, it has that meaning, we would urge Ofgem and DECC to consult early with the industry to understand how that time period interacts with cooling-off periods etc and to ensure that any systems changes are implemented and tested in good time.

Reviewing the debt blocking arrangements	
<i>Requirement for suppliers to offer debt, tariff and energy efficiency advice to customers at the point of objection</i>	Accept in principle
<i>Removal of the ability to debt block where the debt has accrued due to, or is as a result of, supplier error</i>	Seeking Clarification
<i>Increase in the DAP threshold to £200</i>	Accept
<i>Introduction of measures to improve the transparency and customer awareness of debt build up and debt blocking arrangements</i>	Accept
<i>Removal of the ability of suppliers to debt block where a customer would avoid the retrospective application of an adverse unilateral contract variation by switching</i>	Do not accept

Additional information at the point of objection

ScottishPower currently seeks to ensure that customers are provided with information on the best tariff for their circumstances, through the ScottishPower Savings Challenge, which includes ways to save both money and energy. We agree that it could be beneficial to provide information of this kind to objected-to customers, at the point of objection and can foresee accepting this proposal.

However, there is an open question as to whether this element of the proposals needs to be implemented through a formal licence obligation or whether it would be appropriate for a self regulatory approach. If it is considered that a licence provision is necessary, we would recommend that Ofgem avoids an overly prescriptive requirement as to the content and format of such information, in order to allow suppliers a level of flexibility in determining an effective and cost efficient approach in communicating with their customers.

Supplier error leading to the debt

Protection is already in place for customers who have accrued a debt as a result of supplier error, in the form of the back billing provisions under the Code of Practice for Accurate Bills ('Billing Code'). Suppliers have made significant investment in identifying and resolving such billing issues, and the Billing Code is designed to create a standard of certainty for all customers in understanding the redress that is available for them in cases of supplier error.

We accept that it would be wrong to object for debt in relation to any amount that the supplier would write off under the Billing Code, but we believe that sums which are deemed by the Code as still payable following an error should be eligible for the right to object for debt. On that basis, we would accept the proposal, though there is a question about how best to deal with the interface between the Billing Code and the licence rules on objections. It may be that the point could be dealt with in the Billing Code.

We would not support a wider interpretation of the proposal. To prevent objections in relation to sums that are payable under the Billing Code could be contrary to the aim of the right to object for debt, which is the protection of the wider customer base from

customers who are a debt risk, and the reduction in the need for security deposits and other credit protection measures.

In practice, any wider interpretation of 'supplier fault' in accruing the debt would be highly subjective. It would be necessary to consider such areas as estimated bills, insufficient direct debit payments, switching errors and customer service mistakes. In many cases, customer actions may have contributed to the issue. A wide interpretation would be likely to require a significant level of investigation of a number of complex issues, prior to any cases being resolved and could provide an incentive for indebted consumers to raise complaints to avoid their transfer being objected to. It would also be important to consider how a restriction on objections in the event of supplier error would work in an operational context, in relation to the industry objections process.

In the light of these concerns and issues we would not support a restriction on the right to object for debt arising from supplier error, except in relation to sums which would not be payable by the customer under the Billing Code.

Debt Assignment Threshold

We are happy to change Debt Assignment threshold if this will enable more PPM customers to switch supplier, and therefore do not anticipate any problems with increasing the threshold for switching to £200.

Measures to improve transparency and customer awareness of debt and objections

We fully support initiatives to improve communications to customers and aid customers to understand the importance of managing their accounts and preventing the build up of debt. We therefore agree that it is sensible to aim to improve communication in this area and would be pleased to work with Ofgem through the ongoing debt and disconnection review to develop these proposals.

There is however a question of whether this is something which needs to be a licence obligation or whether there are other routes to achieving the desired effect. We would encourage Ofgem to seek to minimise the regulatory burden of information provision and where possible to seek to reduce and consolidate the volume of information that is required to be provided to customers. This will help to avoid 'information overload'. We would be happy to work with Ofgem to develop the proposals in this area further.

Removal of the ability of suppliers to debt block where a customer would avoid the retrospective application of an adverse unilateral contract variation by switching

The ability of suppliers to object for debt is necessary in the interests of consumers; by ensuring that customers are unable to avoid their energy debts by switching suppliers, it helps prevent substantial bad debt costs falling on other customers and significantly reduces the extent to which suppliers need to deploy security deposits and other strong debt management techniques.

For this rule to work as intended, it is important that there are no loopholes, as knowledge of such devices would rapidly spread through the consumer base. Unfortunately, this proposal would effectively allow an indebted customer to change supplier each time there was a tariff increase, substantially defeating the point of the objections mechanism.

Ofgem have suggested that there may be issues of general consumer protection which mean that a customer should be able to avoid retrospective price changes, and that the proposed exception to the rules on debt objections would be a response to these concerns.

While we do not rule out the possibility that such issues may exist, we would think it unlikely that this particular proposal is the only way to address the concern raised. More proportionate options, with fewer unintended consequences, may be available. In the first place, it would be helpful if Ofgem could identify its concerns in more detail so that we might have an opportunity to review the logic and propose any appropriate solutions.

Promoting confidence in price comparison and switching sites	Accept
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We believe that the Consumer Focus Confidence Code can have a positive effect in improving confidence in price comparison and switching sites, and that this is the most suitable vehicle to take forward this proposal. We would be happy to work with both Ofgem and Consumer Focus to promote this work.

It remains important that suppliers be empowered to develop their own marketing strategies within the competitive market and therefore any activity taken forward under this proposal must not impact on suppliers' relationships with these sites. Suppliers must remain free to decide how best to promote their products and services, with or without the use of comparison sites.

Strengthening sales and marketing rules	
<i>Introduction of a requirement to provide consumers with a written quotation in a clear and understandable format</i>	Accept in part
<i>Introduction of a requirement to provide a comparison with the customer's current deal</i>	Accept in part
<i>Provision of additional information at the point of sale</i>	Accept
<i>Strengthening the requirements around post-sale follow up, to require positive confirmation</i>	Accept in part
<i>Recasting the marketing licence condition to focus on "outputs"</i>	Do not Accept

We agree that it is sensible to require a price illustration to be provided to the customer at each doorstep sale and also that suppliers are able to provide the customer a comparison with their current deal. These are key components which we already incorporate in our sales process.

Written quotation

Our first observation is that 'quotation' does not appear to be the appropriate language to represent what is intended with this proposal. A "quotation" is normally understood to mean a precise and firm price. While this might be possible in terms of pence per kWh (subject to future price variations), the amount in pounds per year, or of monthly direct debit payments, will depend heavily on the customer's consumption and behaviour. We would instead suggest referring to a written '*illustration*.'

Our second concern relates to the mechanics of the sales process. ScottishPower has made significant investment in moving in the great majority of cases from a paper-based sales process to an automated process, using an electronic sales tablet. This limits the amount of paper that sales agents are required to use, enhances the security of customer details and also enhances control by creating a clear electronic process to record the information that customers are given at the point of sale. Unfortunately, the tablet does not incorporate a printer and so does not provide for a personalised paper illustration or comparison to be provided at the point of sale.

Generic sales materials, such as pricing leaflets, are left with the customer at the point of sale and it is feasible that these could be developed with a proforma page on which the agent could complete the relevant illustration and, if appropriate, comparison details. However, it would be a non-electronic system with all the difficulties in control, accuracy and audit that that would entail.

We would therefore propose that, where an electronic sales tablet is used, the rules allow for the illustration to be shown on the tablet. In this case, the information would be captured electronically at the point of sale and the illustration/comparison displayed on the tablet for the customer to view and acknowledge. The same information would then be sent to the customer in hardcopy form following the sale. In order to ensure that the customer is properly protected and able to change their mind on receipt of the written illustration and comparison, we propose that the electronic information would be sent as part of the existing Welcome Letter communications, and the customer would still be able to take advantage of the relevant cooling off period.

By giving suppliers the option of providing the illustration within an electronic process, this would allow a higher quality, more efficient and better controlled service to be given. Clearly, some development time would be needed to make the necessary changes to the tablet software and we would be pleased to discuss the detailed options with Ofgem.

Comparison

The points above concerning the use of electronic systems still apply. We would also observe that, in developing the comparison, the sales agent will be heavily dependent on the information provided by the customer, which may not always be accurate.

In any obligation to provide a comparison, it must be recognised that not all product choices are based on cost alone. In particular, a straight comparison based on current prices is likely to disadvantage capped or fixed price deals, where the benefits are dependent on future but unknown price changes. We would welcome seeing Ofgem's thoughts on how to handle this.

Post sale follow-up

While positive confirmation is achievable where customers are spoken to on the telephone, it is not realistic for a written process which is likely to have a relatively low response rate.

We can accept a requirement to seek positive confirmation where telephone contact takes place but do not support it in other cases. Seeking positive confirmation in those cases could adversely impact the overall economics of direct sales, possibly reducing the scope for certain groups to participate in the competitive market.

Marketing condition – focus on 'outputs'

ScottishPower already considers its responsibilities around doorstep selling to be of utmost importance, and is fully committed to the current Licence Condition and EnergySure Code of Practice and associated accreditation scheme.

We understand Ofgem's desire to recast the Marketing Licence Condition in order to focus more on outputs for consumers and would of course consider any proposals to change the Condition. However, we do not see how the Condition can be practically redrafted in order to achieve an 'outputs based' approach.

The nature of dealing with sales agents is that suppliers can provide vetting, training and compliance programmes to try to prevent mis-selling. However, on the doorstep, it is the responsibility of the individual agent to comply. The existing structure of the marketing condition reflects this reality by requiring the supplier to take the necessary steps within its power to deal with the problem.

The suggestion that "persistent" instances of mis-selling would constitute a breach seems to beg the question of what level and frequency of mis-selling would be below the "persistent" threshold. This seems to us to be the wrong approach. It would be like re-casting Health and Safety legislation to abandon the requirement of having a safe working environment, so far as is practicable, and instead having a quota of allowable accidents. However, we are happy to look at specific proposals from Ofgem when available.

We are fully supportive of the requirement to provide customers with clear and understandable contract terms and conditions to ensure that SME business customers have the available information required to fully engage in the market.

Identification of SME

It would seem to be sensible to define 'SME' for electricity as single sites with Profile Classes 3-4, as this would seem to be the most appropriate proxy for the small businesses that Ofgem seeks to aid with its proposals. For gas, it is more difficult to identify a relevant measure, as there is no ready parallel to the profile classes within electricity. It is probably most appropriate to use the relevant AQ values as a proxy. However, recognising that there is no clear identifier of SME within the gas world, this is an issue that we recommend that Ofgem gives further consideration to. It may be useful in this regard if Ofgem considers the work that is currently being undertaken on market designation as part of Project Nexus.

Improved information requirements

As regards the key terms and conditions mentioned within the proposals, we are satisfied that we currently perform to a high standard in relation to Ofgem's expectations. We support proposals that would create a clear, consistent communications process for SME customers, both at the point of a new contract and prior to termination of contract.

We believe that we meet high communication standards at the expiry of fixed term contract period, in that we provide timely advanced notification regarding contract termination and clear information about the actions the customer must take to agree a new contract.

ScottishPower writes to the customer *at least* 60 days prior to the 'Earliest Termination Date' to inform them that the fixed term offer is coming to an end, and what date they must inform us by if they wish to terminate the contract. The customer must notify us of their intention to terminate the contract 45 days prior to the 'Earliest Termination Date' and is then given 30 days following the 'Earliest Termination Date' in which to actually leave to a new supplier.

We believe that this process is transparent and fair to customers. Provided that the termination process gives the customer adequate advance notice of the termination process, and gives the customer the opportunity to cancel, we do not feel that it is necessary to be prescriptive around what this advance notice is. We would appreciate further discussion around the key communication requirements that Ofgem is proposing in order to aid our understanding of the extent of this proposal.

We agree with Ofgem that a Licence Condition may not be necessary in this area. We would be in favour of a self-regulatory approach as an alternative to licence conditions. However, we are keen to ensure that this captures all suppliers within the non-domestic market. It may be appropriate to reconvene Ofgem's non-domestic working group, with all suppliers, to take these discussions forward.

Eliminate ability for contracts to be automatically rolled over

We understand Ofgem's concerns over customers being automatically locked into unfavourable long-term contracts without their consent and agree that improvements could be made to suppliers' communications in order to assist the customer in taking action.

We do not support the complete removal of automatic roll over, as we believe this would be detrimental rather than beneficial to SME business customers. Given that we have to continue to supply a customer that does not respond to a renewal invitation, we think that it is reasonable to do this on the terms for a roll-over annual contract. We do not agree that it is in the customer interest to require customers who do not respond to renewal invitations to switch to more expensive short term tariffs.

We believe that our communications with customers are clear and fair, and we would support minimum standards for customer communications prior to contract termination. Beyond this, we could support a limit to the length of fixed term contract that customers can automatically be rolled on to. We think it would be reasonable to allow automatic roll over for contracts for a period no greater than 12 months, subject to minimum standards of communication and periods to notify intention to switch. We believe that a 12 month contract period provides the customer with a level of price stability without being locked into a 'long-term' contract. This would still enable suppliers and customers to agree a longer fixed term period if this is desirable.

Development of an accreditation scheme for small business customers Strengthening code of practice for Third Party Intermediaries

We believe that it would be beneficial for Consumer Focus to extend the Confidence Code for switching sites to cover services provided to the SME market. We agree that it is important to clearly identify the impartiality of these sites in order to improve the confidence in their use for this market.

As previously highlighted in our initial findings response, the specific characteristics of the SME market should be taken into account when progressing with this proposal, in particular the complexities surrounding updating and displaying comparative pricing information.

We would support this proposal in the interests of maximising consumer protection and ensuring transparency and clarity of information. However, it is again important to recognise that this should not impact on suppliers' choice or ability to market their products through the routes that they deem most appropriate.

In relation to a Code of Practice for Third Party Intermediaries (TPIs), we would support this proposal. We believe that such a Code is required in this area and would agree with Ofgem's recommendations regarding the requirements.

It is important that any Code of Practice that is developed be independent and fully auditable. As such, we would recommend that a new code should be developed, rather than utilising an existing Code of Practice or similar scheme, which may have less independence or control. The governance, scope and monitoring of the scheme will also be key points for consideration. We would be happy to be engaged in discussions to take this forward.

Improving transparency of supply and generation	Seek further discussions
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We at ScottishPower are happy to be open about our business and to assist with the provision of accounting information where this is cost effective and does not damage the operation of competition. Accordingly, we would like to find the most effective way to assist Ofgem in providing the necessary transparency.

However, there are some complications:

- (i) details of our specific forward purchase strategy for gas and other fuels, including average costs achieved, are regarded as commercially confidential as they could give useful information to competitors;
- (ii) there are significant differences in accounting policy between Scottish Power Limited, our UK holding company, and the operating subsidiaries. This would make it difficult to provide an easily understood reconciliation between the accounts of the overall company and those of the operating businesses;
- (iii) the business is run on an “end to end” basis; we do not treat wholesale and retail as separate profit centres and the transfer price between wholesale and retail is not used to guide business decisions;
- (iv) the compliance cost of the proposals needs to be considered;
- (v) many of the entities involved do not prepare quarterly accounts and there are differences between suppliers in year end dates
- (vi) consideration needs to be given as to the balance of information for publication by supplier, and publication on an aggregated basis only by Ofgem. To the extent that Ofgem are aggregating information for publication, it would be good to understand the susceptibility of the raw data to Freedom of Information requests.

In order to assess what ScottishPower can provide in order to assist Ofgem, we are requesting a further meeting where we can try to evolve a suitable variant of the current proposals which would achieve what Ofgem, and the wider market, needs in an efficient way, without having negative impacts on competition.

Enhancing market monitoring	Accept
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We are happy to be involved in discussions with Ofgem on improving the current level of market monitoring and have already begun to consider how best to provide the information that Ofgem is seeking. We would continue to urge Ofgem to ensure that the new information that it formally requests remains relevant and necessary for its purposes, and avoids any unnecessary reporting burdens on suppliers.

We would also be pleased to engage in productive discussions on information that can be gathered to improve monitoring of the non-domestic market. It is worth re-iterating the point that little reporting is currently carried out in this sector of the market, therefore it is difficult to understand what information can be provided until we have a

sense of what Ofgem wishes to monitor, and that the timescales for introduction of the new reporting should reflect this where possible.

We feel that it would be most relevant to focus the reporting requirements on single sites with Profile Classes 3-4, as this would seem to be the most appropriate proxy for the small businesses that Ofgem seeks to aid with its proposals. For gas, it is more difficult to identify a relevant measure, as there is no ready parallel to the profile classes within electricity. It is probably most appropriate to use the relevant AQ values as a proxy. However, recognising that there is no clear identifier of SME within the gas world, this is an issue that we recommend that Ofgem gives further consideration to. It may be useful in this regard if Ofgem considers the work that is currently being undertaken on market designation as part of Project Nexus.

ScottishPower

June 2009