

Liz Chester
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Ofgem
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7 May 2010

Dear Liz,

**PROPOSED AMENDMENTS TO SUPPLY LICENCE CONDITIONS IN RELATION
TO THE DISCONNECTION OF VULNERABLE CUSTOMERS**

Thank you for the opportunity to respond to the above consultation letter.

As you will know, we have been pleased to have been involved in both the review of vulnerable customer disconnections and the wider debt and disconnection policy review. We have welcomed the opportunity to discuss our policies and practices in these areas with both Ofgem and Consumer Focus.

We are happy with the way in which both reviews have been conducted, and that the process has been collaborative and effective. The examples of good practice arising from the review will allow us to build upon our existing policies and procedures. We are also encouraged by Ofgem's recognition of the ERA Safety Net and particularly the recent improvements, providing additional protection to vulnerable customers.

We absolutely agree that suppliers have a duty to exercise the right to disconnect in a responsible manner and we believe that Ofgem's review has demonstrated that this duty is taken seriously by suppliers. Furthermore, our processes and practices are designed to ensure that disconnection for debt only takes place as a last resort and is avoided where we know that a customer at the premises may be vulnerable.

Revised proposals

*Reconnection before Winter
Consolidation of SLC 25.10 and 25.11*

As noted in our response to the original consultation, dated 25 November, we had concerns with the extent of the proposals to amend the Licence Condition and particularly the potential impact that these could have on a supplier's ability to disconnect in general. While it is important to avoid the disconnection of vulnerable customers at any time of year, it is also important that the Licence does not rule out the possibility of disconnection for debt. As noted in our response, this is important

to maintain routes of support for vulnerable customers, such as the use of Fuel Direct or referrals to Social Services, where the legal possibility of disconnection may be a necessary precondition to the support being made available. For customers in general, the possibility of disconnection is necessary to ensure that debt costs to customers are kept as low as possible.

Ofgem's document sets out a number of practical reasons mentioned by suppliers as to why an obligation to reconnect customers falling within Conditions 27.10 and 27.11 before Winter would not be desirable. It also recognises the complexities of trying to consolidate these two obligations. We agree with these points and therefore support Ofgem's proposal not to pursue Licence changes that would require the reconnection of vulnerable customers prior to Winter, or to consolidate Licence Conditions 27.10 and 27.11. We believe that, in conjunction with the ERA Safety Net, the current rules give appropriate protection for vulnerable customers.

Reasonable steps to identify the status of the customer before disconnecting

In broad terms, we agree that the requirement in condition 27.11 includes an implicit obligation to take reasonable steps to ascertain whether they apply. In that sense, an additional obligation along the lines proposed adds little to the existing position, beyond the avoidance of doubt.

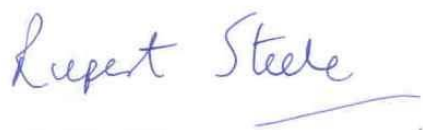
However, it is possible that the new obligation may, as drafted, go beyond the scope of 27.10 and 27.11. In particular, there is no explicit limitation to the Winter period or to disconnections for debt (as opposed to safety or other reasons). We attach in the Annex to this letter suggested drafting amendments to remedy this.

It is also important to understand how the phrase 'all reasonable steps' is to be interpreted. In the context where disconnections are a rare but necessary procedure, we do not consider that this means that, if a supplier is unable to conclusively establish that a customer is not vulnerable, disconnection is prohibited. Instead, we understand it as meaning that suppliers should proactively undertake reasonable checks. We think that this would be clearer if the word "all" were omitted.

We do welcome the clarification from Ofgem that the proactive steps outlined within the original consultation would normally come under this definition. As they are described in guidance, we would not expect these steps to be prescriptive and we would welcome the opportunity to work with Ofgem as our processes develop, with a view to building supplier confidence in compliance with this requirement.

Subject to appropriate drafting changes to remedy the points mentioned above (see Annex), we are not currently minded to oppose this change. We would be pleased to discuss our response in more detail; please contact me using the details shown on the first page, or Pamela Kelly, our Energy Retail Regulation and Commercial Manager, on 0141 568 3207.

Yours sincerely,



Rupert Steele
Director of Regulation

PROPOSED SUPPLY CONDITION 27.11(A) – SCOTTISHPOWER DRAFTING COMMENTS

Condition 27.11(A)

Drafting suggestion: Line 1, after “exercises” insert “in Winter”

Reason for drafting suggestion: these checks are not relevant at times where 27.10 and 27.11 do not apply.

Drafting suggestion: Line 2, after “Premises” insert “in consequence of non-payment of Charges for the Supply of Gas[Electricity]”

Reason for drafting suggestion: these procedures are not appropriate for disconnections for other reasons such as safety or emergencies.

Drafting suggestion: Line 2, omit “all”

Reason for drafting suggestion: clarifies that the obligation is to take reasonable proactive steps to check the position, and not to try to prove it beyond reasonable doubt.