



Via e-mail
Meghna Tewari - Senior Economist
Retail and Market Processes
Ofgem

14th October 2010

Dear Meghna

Consultation on proposals for amending Standard Licence Condition 23 – Period for notifying unilateral contract variations and other consequential issues

Thank you for giving SSE the opportunity to comment on Ofgem's proposal to amend the Licences to facilitate advanced notification of a price increase or other unilateral variation. Answers to the six questions posed in the consultation can be found in the enclosed Annex.

Whilst we agree in principle with a move to advanced notification, we do not believe that the obligations of Licence Condition 23.6 are required under 30 days advanced notice. In fact, they will be made even less relevant if three week switching comes into effect from 3rd March 2011 as part of the EU Third Package.

If 23.6 is retained, the consequence would be that, in effect, a customer who is advised of a price increase two months in advance of its effective date, would be given a further month following the effective date to transfer their supply without the change taking effect. If Ofgem believe that the individual notice is the primary trigger for a customer to take action, then this additional time is not required. We therefore believe that this proposed extension is unwarranted and does not fit with the principles underpinning a move to advanced notice.

We are disappointed that Ofgem has not fully examined the consequences of the final proposals and has not discussed the direction of its thinking with us, despite our approaches, before issuing this consultation. We would also welcome the opportunity to comment on the proposed Licence drafting before the Statutory Consultation is issued.

SSE's position is that we would not support retention or extension of the obligations under Licence Condition 23.6 should Ofgem move from the current 65 working day backstop to 30 calendar day advanced notification of a price increase or other unilateral variation. We would welcome the opportunity to discuss this further with Ofgem before any further consultation is issued.

Yours sincerely

Gareth Shields
Regulatory Analyst

Annex

1. What are your views on our “minded to” position of requiring domestic suppliers to give customers Notice of a unilateral variation at least 30 calendar days in advance of the date on which the variation takes effect? Please provide any data/information to substantiate your views where appropriate.

Whilst we agree in principle with the move to advanced notification, we do not believe that there is sufficient justification for keeping or extending the obligations under Licence Condition 23.6.

We also question the conclusions Ofgem has drawn regarding customers contacting their supplier at the time of a price increase. Ofgem has stated that the information given on notices should be sufficiently clear, so that customers do not need to contact suppliers. This however, contradicts the assertion made elsewhere in the document that advanced notice allows customers to provide meter readings on or around the effective date. It also does not recognise that customers generally contact us on receipt of their Notice for other reasons: to amend their direct debit, discuss other tariffs and for other advice, i.e. energy efficiency. It is for this reason that we have to stage the notification so that we can manage our customer contacts.

Ofgem seems to be suggesting that the wording of the Notice should be such as to discourage customers from contacting their supplier. Whilst this move to advanced notification may force us to consider this, it is a fundamental move away from what SSE would want, which is to engage directly with our customers to encourage them to contact us if they have any queries.

A further avenue that Ofgem has not addressed is the detrimental impact that advanced notice will have on customers. We stated in our response to the consultation in May 2010, that advance notification will have the consequence of decreases in wholesale and other costs not being passed on to customers until there was confidence over price stability. Uncertainty over, i.e. increases in network charges mean that both increases and decreases would have to guard against subsequent wholesale and other price movements in the extended time lag between price change decision and price change implementation. This consequence would not be apparent to those customers who participated in the Ofgem and Which? surveys referred to in the consultation. We therefore do not believe the conclusions drawn from these surveys are based on a full understanding of the consequences a move to advanced notice will have.

*2. What are your specific views on the proposed consequential amendment to retain paragraph 23.6(a) of the SLC 23 such that customers have a 20 working day period **from the date of a price increase (or other variation) takes effect** to notify their supplier that they would like to switch in order to avoid the application of a price increase (or other variation)? Please provide any data/information to substantiate your views where appropriate.*

We do not believe that there is any justification in retaining this condition. Customers will have been individually notified at least a month before the effective date along with media coverage. With the three week switching guarantee also likely to come into effect from 3rd March 2011, this obligation is unnecessary.

We do not understand Ofgem’s reasoning to conclude that customers will need a further 20 working days from the effective date of a price increase which they were notified of at least 30, and more likely many more, calendar days previously. This obligation would also seem to penalise suppliers who advise their customers further in advance. Customers notified i.e. 90 days in advance, have more than three months to transfer their supply without the extra 20 days. This gives suppliers no incentive to inform customers further in advance than the minimum.

3. What are your specific views on the proposed consequential amendment to sub-paragraph 23.6(c) of SLC 23 (and sub-paragraph 14.9(c) of SLC 14) such that customers in debt will have a 30 working day period to pay off outstanding charges from the date the customer receives Notice that the supplier intends to prevent them from changing supplier? Please provide any data/information to substantiate your views where appropriate.

There seems little value in making this amendment. Given that customers are going to receive at least 30 calendar days advanced notification and with three week switching, this seems unnecessary.

*4. What are your specific views on the proposed clarificatory amendments to **SLC 23 and SLC 24**? Please provide any data/information to substantiate your views where appropriate.*

Other than the views already expressed about the retention of Licence Condition 23.6, we have no issues with these clarifications.

5. What are your specific views on the proposed one-month time frame for implementing these proposals? Please provide any data/information to substantiate your views where appropriate.

We have no issues with the suggested implementation timescale.

6. What are your specific views on the minded to decision not to propose any amendments to 15 Working Day Period for the supplier to receive Notice under the Master Registration Agreement /Network Code? Please provide any data/information to substantiate your views where appropriate.

Other than the concerns already expressed surrounding retention of Licence Condition 23.6, we have no further thoughts on this proposal.