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Dear Liz,

Smart Metering Spring Package – Addressing Consumer Protection Issues

SSE welcomes the opportunity to respond to the above consultation. We have provided comments on the individual consultation questions in the attached annex. In the period since this consultation was published, Ofgem and DECC have published the Response to the Prospectus consultation. Due to timescales, we have been unable to consider all of the issues discussed within the Government's Response to the Prospectus consultation. As many of the issues considered within the Government's Response to the Prospectus consultation will have a direct effect on the Spring Package proposals, we will discuss these issues separately with DECC and Ofgem in due course.

We do not consider there is a need to introduce additional protections for customers as a consequence of suppliers who decide to 'go early' ahead of the mandated smart meter roll-out. Consumer legislation and licence conditions are already in place to protect consumers, along with the ERA Safety Net. Suppliers have incentives to ensure that their customers are clear about the offerings available and that customers are able to choose the most appropriate product to suit their needs. SSE also has a Customer Charter, within which we make a number of substantial commitments and promises to our customers. This Charter was recently updated and provides customers with a guarantee of the service they can expect through commitments made. The commitments in the charter include, amongst other things, looking after the customer's best interests, making it easy for them to contact us, allowing the customer to manage their account in a way that best suits their individual circumstances and to provide help and advice for our most vulnerable customers.

In our view, these protections will not change as a consequence of a smart meter being installed within the customer's premises. For example, Licence Condition 27



ensures suppliers are required to identify vulnerable customers on an ongoing basis and take steps to ensure that the customer is able to understand and operate the prepayment mode and top-up to add more credit. This obligation will still be in force whether or not a customer has a smart meter and will require the supplier to take this into consideration prior to switching any customer into prepayment mode.

Ofgem should also take into consideration the proposed Code of Practice for Installation. Government has already concluded that suppliers should develop and adhere to a Licence backed Code of Practice governing the installation of compliant smart meters. SSE intends to use this as an opportunity to inform the customer about our ability to remotely switch the meter to prepayment mode and the circumstances under which this is likely to affect the customer.

Furthermore, if a supplier offers to supply the customer through a prepayment meter, under Licence Condition 28, the supplier is already required to provide the customer appropriate information around the advantages and disadvantages of a prepayment meter, where the customer may obtain assistance and the procedures that the supplier will follow when removing or resetting the prepayment meter. This Licence Condition, along with Condition 27, currently provides sufficient protection for any customer who is switching from a credit meter to prepayment. This obligation will continue regardless of whether a smart meter has been installed at the customer's premises or not. We do not intend to change this practice in light of smart meters being available to these customers.

Should Ofgem decide to introduce further Licence Conditions upon suppliers, then these should be enduring solutions that can evolve as the smart programme does. Interim Licence Conditions are unacceptable. We also think it undesirable to have a Licence Condition which is unclear in its application, as the proposed Licence Condition will apply to different groups of customers at different stages.

We would also request that Ofgem allows suppliers advanced sight of any Licence Conditions with another opportunity to comment prior to any statutory notice. The ERA response contains further comments in relation to the proposed licence drafting. However this proposed drafting should not be regarded as an acceptance of the amendment in principle.

Please call me if you have any questions

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Findlay', with a stylized flourish at the end.

Steven Findlay

Regulation

CHAPTER 2

Prepayment

Question 1: *Do you agree with our proposal to issue guidance on safe and reasonably practicable and require suppliers to have regard to this guidance through a licence amendment? If not, what else is needed?*

No. The guidance is repeating much of the work suppliers currently do under the ERA Safety Net. We do not believe there is a need for both the guidance and the ERA Safety Net. SSE would suggest that the guidance should be issued by Ofgem and adopted as part of the ERA Safety Net. This would not need to be backed up by a licence condition as the relevant protections are already in place.

Question 2: *Do you agree with our proposal to require suppliers, where they know or have reason to believe that prepayment is no longer safe and reasonably practicable for a customer, to offer an alternative payment method or some other form of action?*

No. The licence already requires suppliers to have clear policies on how they will deal with customers in payment difficulty. This includes taking into account a customer's ability to pay when setting repayment arrangements and the obligation to ensure that prepayment is appropriate. In addition, the ERA Safety Net offers a range of debt repayment options in order to find the most appropriate solution for vulnerable customers to manage any debt. In light of this and existing licence conditions related to pre-disconnection processes, SSE do not consider that a licence amendment is necessary. As part of the ERA Safety Net SSE has signed up to and implemented the principle that 'in cases where it is no longer safe and practicable for a customer to use a PPM, the supplier will be prepared to exchange the meter without levying a removal charge. In cases of vulnerability, the supplier will not charge the customer for meter exchange'.

Also, the proposed licence condition 28.11A suggests that where a licensee "becomes aware or has reason to believe that it is no longer safe and reasonably practicable" suppliers will be required to take remedial action. Unless the customer contacts their supplier to make them aware of a change of circumstances, the supplier will have no other method of being notified of this.

Question 3: *Do you have any comments on our proposed guidance regarding taking into account whether it is safe and reasonably practicable for a customer to pay by prepayment?*

We do not currently consider that there is need to introduce guidance. This will only serve to cut across the ERA Safety Net and we are, as yet, unsure where guidance will add value.

Question 4: *Do you agree with our view that the current notification periods for switching to a prepayment meter are sufficient?*

We believe the current obligations and consumer protection, including 7 day notice on a credit to prepayment switch are adequate. However, we would envisage the 7 day notice process to include information in relation to the operation of the meter and In Home Display (IHD) unit in prepayment mode, including a free phone helpline contact number providing consumer support for prepayment smart meters. In

practice, because of the ongoing dialogue with the customer, the notice period, is likely to be longer than 7 days for smart prepayment.

Question 5: *Do you agree with our proposal to require suppliers to give customers information on using a prepayment meter ahead of switching them to prepayment?*

Yes, this information (currently provided under supply licence condition 28) would need to be updated to reflect information the customer will require to maintain supply as a result of a smart meter being switched to prepayment mode. As suggested above, SSE would recommend using the installation visit to provide the information required under licence condition 28. We would follow this up again with the customer in the event that they should be switched from credit to prepayment mode.

Also, our own customer surveys and the experience of the mobile phone market indicate that at least 50% of customers will continue to top up their prepayment meter using cash methods, even if they have a smart meter in prepayment mode. SSE is committed to offering a comprehensive service that allows us to continue this for our customers.

Question 6: *Do you consider it necessary to explicitly require suppliers to provide the ability to top-up by cash where payment is made through a prepayment meter?*

Yes. The Government's response to the prospectus consultation has highlighted this as a technical specification requirement.

Disconnection

Question 7: *Do you agree with our proposal to issue guidance on identifying vulnerability prior to disconnection and require suppliers to have regard to this guidance through a licence amendment? If not, what else is needed?*

As licence obligation 27.11A has been introduced following statutory consultation, there is no need for additional obligations as suppliers are obliged to take all reasonable steps to ensure customers are not vulnerable before disconnection. Also, under the Safety Net, suppliers are required to make several attempts to contact the customer including letters, telephone calls, home visits etc. Where we have been unable to contact the through the telephone we will continue to carry out site visits. However, suppliers should still have the right to disconnect for non-payment.

Question 8: *Do you have any comments on our proposed guidance regarding identifying vulnerability prior to disconnection?*

As part of the ERA Safety Net suppliers work to gather as much information with regard to their customers as they can. This will help determine whether a customer is of pensionable age, disabled or chronically sick. As a minimum, suppliers will contact the householder several times via letter, several times via telephone, and visits to the customer's property. This will give the supplier ample opportunity to determine whether a customer is vulnerable or not. Also, all of SSE's field staff are trained to spot signs of vulnerability upon visiting the customer's property, even if they managed to make no contact with the customer. Suppliers also have a commitment to "As a priority, re-connect any customer who has been found to be vulnerable after disconnection, where possible within 24 hours".

Suppliers will continue to comply with obligations to identify vulnerable customers on an ongoing basis and take steps to ensure that the customer is able to understand and operate the prepayment mode and top up more credit. In any event we would expect that suppliers would continue to apply existing assessment protocols prior to disconnection.

However, Ofgem should recognise that the ERA Safety Net cannot guarantee that no vulnerable customer will be disconnected in error because a supplier's ability to ascertain the position will be based on information provided by the customer.

Question 9: Do you agree that suppliers should ensure rapid reconnection and provide compensation on a voluntary basis where customers have been disconnected in error?

Yes. This will prove a useful tool should a customer ever be disconnected in error. However, every customer will go through a rigorous debt path prior to any disconnection and this is only used as a last resort. If any customer has suffered detriment this should be judged on a case by case basis.

Also, suppliers should not be obliged to pay a customer who was disconnected in a situation that was outwith the supplier's control or where the customer was identified as vulnerable subsequent to disconnection (in order to avoid the unintended consequence of customers withholding information or failing to co-operate with a supplier. In addition, suppliers have to take reasonable steps to identify vulnerability as a licence condition and as part of the ERA Safety Net).

Question 10: Do you agree with our view that the current notification periods for disconnection are sufficient?

We believe the current obligations and consumer protection, including a personal visit to the property and 7 day notice on a disconnection is adequate. We envisage using text and/or email as supporting media, as well as the IHD, in the run up to a disconnection. All communication in relation to disconnection will carry the option for the customer to switch to prepayment and relevant supporting information about operating the smart meter in prepayment mode

Question 11: Do you agree with our proposal to explicitly set out in the supply licences that load limiting and credit limiting amount to disconnection in certain circumstances?

SSE do not support the proposal to explicitly set out in the supply licence that load limiting and credit limiting amount to disconnection in certain circumstances. We also believe that "Credit Management" should be changed to "Credit Limiting" as the former has connotations of other more general practices.

Prior to the final technical specification being agreed we are unable to determine whether load or credit limiting is a suitable debt management tool. For example, how would the supplier be expected to "limit the level of current" supplied to the customer unless this is part of the specific technical requirements of smart metering?

Question 12: *Are there any protections that should be considered regarding disconnection and prepayment for non-domestic customers? If so, what are these? Please provide evidence to support your views.*

We believe the non-domestic customer protection issues have been addressed. In particular, suppliers will need to ensure that customers are aware of the current status of the supply and how to contact the supplier / purchase credit where necessary.

CHAPTER 4

Question 13: *Do you agree that there should be an obligation on the original supplier to offer terms for use of the meter?*

We do not agree with this proposition since it cannot be assumed that the supplier will own the asset in all cases. We support the intention that a mechanism should be put in place to ensure that the asset owner is obliged to offer reasonable and non-discriminatory terms to all Suppliers for use of their asset. However, we feel strongly that we cannot be subject to a licence condition that requires us to ensure that a 3rd party transacts fairly with another 3rd party in relation to an asset over which we no longer have any interest. This would create disproportionate and unreasonable regulatory risk. Competition in metering and the desire to avoid unnecessary stranding should provide the incentive for all meter asset owners to offer terms to incoming suppliers.

Question 14: *Do you have any comments on the requirement for terms to be reasonable and non-discriminatory and factors we would propose to take into account?*

Provided the commercial terms offered by the meter asset owner are reasonable, there should be no issue regarding access to smart meters during the smart meter roll-out.

During the initial period we recognise that the incoming supplier should not be obligated to use the meter in smart mode and therefore would only pay an equivalent “dumb” rate as proposed. We suggest the equivalent rate utilised should be the rental rate published by the host DNO/GDN for a new dumb meter.

The Prospectus Response suggests arrangements for the period between compliant meters becoming available in bulk and prior to DCC being operational. We believe that there are so many unresolved issues with interim interoperability that it must be left to the supplier's discretion whether to use the meter in smart or “dumb” mode and the rental rate paid should reflect this choice. Clearly when migrated to DCC, all compliant meters will attract the appropriate smart rental rates.

As the mandated roll-out coincides with DCC Go-Live, this will ensure that there is no unnecessary removal of assets on change of supplier.

Question 15: *Do you agree with the proposed obligation that terms should be transparent?*

We agree with the principle but do not accept that the obligation rests with the Supplier for the reasons detailed within our response to question 13.

If the charges for metering are clear and transparent, SSE would question the need for the non-discrimination obligation. SSE Metering currently offers the same terms regardless of the supplier and scale of the operation.

Question 16: *Do you agree with our proposed approach around an obligation to offer terms for use of communications services as part of the Spring Package, and the timeframe for any such obligation?*

We believe that until DCC is established the Supplier must retain the right to choose whether to use meters in smart or “dumb” mode.

Where a Supplier elects to use the meter in smart mode we believe normal commercial market forces will determine appropriate arrangements between the parties.

Question 17: *Do you have any comments on our proposed approach for dealing with prepayment?*

We do not believe that interoperability for smart meters operating in prepayment mode is practicable in advance of DCC. It is therefore not appropriate to obligate suppliers to provide a prepayment support service to other suppliers.

We recognise that Suppliers will need to gain experience of operating new prepayment systems, processes and payment options in the Foundation phase in readiness for mass rollout, but this must be strictly limited to trial volumes. This will enable us to manage the customer experience by explaining the purpose of the trial and the arrangements for its termination.

Where a supplier has smart meters operating in prepayment mode in excess of these trial volumes, then upon change of supplier, there should be an obligation to provide prepayment services including payment reconciliation to the incoming supplier. The charges for these services should be capped to that faced by the supplier operating their existing prepayment infrastructure. However the incoming supplier should be under no obligation to accept these services as internal IT and/or process constraints may make this impractical and in these circumstances the supplier may have no realistic choice other than to remove the meter.

Also, the wording “where there is reasonable prospect” as used in paragraph 4.33 and 4.36 would place an obligation upon suppliers where much of the outcome is not within their control. Should a customer’s circumstances change significantly, such as a decline in income, there is “reasonable prospect” that a customer may ask for the meter to switch to prepayment mode. This situation is completely outwith the supplier’s control and the supplier may not have put in place any arrangements for the meter to be used in prepayment mode, this obligation is an unacceptable regulatory risk and as stated above we must retain the right to exchange the smart meter for a ‘dumb’ prepayment version.

Question 18: *Do you believe there should be a de minimis threshold before commercial interoperability obligations apply and if so, at what level should it be set?*



No, in order to ensure consistency between all suppliers the commercial interoperability should apply to all suppliers. This would allow for a smooth change of supply process. The Government's response to the Prospectus consultation stipulates an incentive on all participants to ensure commercial terms are offered. However, this obligation should not preclude the supplier from installing their own meter should they wish to do so.