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Dear Barry

Open letter consultation on the modification of relevant licence conditions to enable the delivery of the Government Electricity Rebate

Thank you for providing SSE with the opportunity to respond to the above open letter consultation regarding the modification of relevant licence conditions to enable the delivery of the Government Electricity Rebate (GER). We have provided answers to the specific questions posed by Ofgem and our comments on the proposed licence drafting in the attached annex.

As you will be aware, SSE believes that the costs of government schemes should come off energy bills altogether and be paid for through general taxation. Therefore, SSE is supportive of any work by Government to reduce the costs of environmental and social schemes and providing a partial refund of these costs back to customers. However, SSE would like to take this opportunity to stress the importance that the process for providing this GER to electricity customers is kept as simple as possible, whilst ensuring that the administrative burden placed on suppliers is kept to a minimum.

Although we do not normally expect the electricity supply licence conditions (SLC) to be used in this way, SSE understands Ofgem's justification to consult on an amendment to the SLCs.

We would welcome the opportunity to discuss our response in further detail with Ofgem.

Kind regards,

Sam Torrance
Regulation Analyst

Annex 1 – Ofgem questions

1. Whether you agree in principle with the proposal to introduce the new SLC, and your reasoning.

Broadly speaking, SSE agrees with the proposal to introduce the new SLC. However, we would like to raise our concerns regarding the proposed deadlines in order to be able to apply this GER to domestic electricity customers. The proposed deadlines are tight and aggressive and do not allow much time for Suppliers to design, build and test IT processes which will be required in order to deliver the GER to customers.

In particular, we would like to raise our concerns regarding the complexities involved in providing this GER to prepayment customers.

2. Whether the proposed approach to the rebate is appropriate to minimise implementation costs and achieve the objective of reducing the burden of some environmental policy costs.

SSE are unable to provide a definitive answer to whether the proposed approach to the GER is appropriate to minimise implementation costs and achieve the objective of reducing the burden of some social policy costs without first seeing the DECC's consultation on the proposed content of the Secretary of State's Direction. We believe that it would have been beneficial if Ofgem and DECC had published their consultation documents at the same time. This would have allowed suppliers to consider the details of the rebate scheme and identify any unintended consequences.

However, we would like to make Ofgem aware of the substantial costs which will be involved in providing this GER to electricity customers, such as the administrative costs, marketing and external communications, internal communications, training and assurance.

Finally, we would also like to highlight the complexities surrounding any manoeuvring of a customers Direct Debit to accommodate the GER. SSE strongly believe that any solution which may involve changes to a customer's direct debit would not be in the best interest of customers and would not provide the best customer experience.

3. Whether requiring all licensed electricity suppliers to provide the rebate to all of their domestic customers (without a de minimis bill threshold) is an appropriate way to provide for proportionality and not materially distort competition in the energy market.

As all electricity suppliers will be providing the GER to all of their domestic customers, SSE is content that this is an appropriate way to provide for proportionality and not materially distort competition in the energy market.

4. Whether there may be any unintended consequences in the implementation of the rebate in this way.

SSE would like to stress the importance that a simple and easy process is adopted for providing this rebate to electricity customers. Furthermore, we must ensure that the substantial costs associated with providing this GER to customers are kept to a minimum. However, this will really be dependant on the specific requirements for providing the GER which will be detailed in the DECC consultation.

5. Whether introducing a sunset clause and limitations to the SoS' directions is an appropriate way to provide regulatory certainty.

Broadly speaking, SSE agrees that the sunset clause and limitations to the SoS' directions is an appropriate way to provide regulatory certainty. However, we are interested in the rationale for the sunset clause being set as five years rather than two years? There is no clear policy rational to support a sunset clause of five years and the open letter consultation document does state that if Government consider it appropriate to continue to fund the cost of certain environmental or social scheme costs from general taxation beyond 2015, they would encourage the development of an enduring mechanism for achieving this.