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Dear Megna

Proposals for non-domestic automatic rollovers and contract renewals

Thank you for providing SSE with the opportunity to respond to Ofgem's proposals to improve the contract renewal process for micro-business consumers.

SSE agrees that further steps could be taken by suppliers to improve the contract renewal process, particularly to address the risk of consumers being automatically rolled onto a new contract without their knowledge. Ofgem's consultation refers to the risks identified with the automatic rollover process; however we note that the proposals to address these risks will apply to all contract types, not just those which include an automatic rollover clause. As identified in Ofgem's consultation, we think it is important to highlight that a number of suppliers, including SSE, have already chosen to end the use of automatic rollovers and are putting in place additional protections to assist consumers with the renewal process.

Suppliers are obligated under the Standards of Conduct to ensure that micro businesses are treated fairly in all matters relating to their contract. As part of this objective SSE has reviewed its renewal process and introduced additional protections to help our non-domestic consumers get the right contract choice for them. Reviewing and developing new processes is a key part of the Standards of Conduct and we think suppliers are best placed to investigate consumer needs and offer preferred solutions to problems. Ofgem's proposals in their current format restrict suppliers from investigating and applying alternative methods for communicating key contractual information with consumers, which may in fact be more beneficial to them. In light of this, we think Ofgem should amend some of its proposals to allow suppliers the flexibility to offer services which best suit their customer's needs whilst meeting Ofgem's policy intent.

30 day termination window

SSE currently offers a 30 day termination notice period. We believe standardising the termination notice period to 30 days will make the contract renewal process clearer for customers and we therefore agree with Ofgem's proposal to reduce the maximum termination notice period to 30 days.

Current prices and annual consumption on renewal letters

SSE agrees that focussing the consumer's attention on the impact of not contacting their supplier when their contract ends is important. SSE's contract renewal notices already inform the consumer of these impacts. However, as our deemed and variable business rates are frequently reviewed and subject to change, we do not think it would be appropriate or necessarily beneficial to the consumer to have these printed on the renewal notice as the rates quoted at the time the renewal offer is sent out could differ from those available when the contract ends. Providing this information could mislead the consumer. Instead, including a notice clearly advising the consumer that 'out of contract' rates are significantly higher than the rates they could receive if they negotiated a contract could act as an effective prompt for the consumer to contact their supplier to get a better deal.

SSE agrees with Ofgem's proposal to include on the renewal notice, the annual consumption information necessary for the consumer to calculate the impact of any price change. The consumer should be able to easily compare the rates of their current contract with the renewal rates being offered in a way which allows them to forecast the cost of their contract for the full term. The consumer will then also be able to use this consumption information to calculate how much it may cost them if they are moved onto deemed rates or variable contract rates for an extended period of time.

Written acknowledgement of termination notice

Whilst SSE acknowledges Ofgem's rationale for this proposal and agrees that action should be taken to address situations where consumers are automatically rolled on to a new contract in error, we think that the requirement to send out an acknowledgement need only apply where the customer can be automatically rolled over.

Many suppliers, including SSE, no longer offer automatic rollover contracts. The risks identified in Ofgem's consultation refer solely to automatic rollovers. Consumers are no longer at risk of being automatically rolled onto a new fixed term contract either correctly or in error. If a consumer fails to send a termination notice or a supplier fails to acknowledge the termination, the consumer will be put on to a contract which they can leave at any time without risk of penalty.



We also do not think that a letter acknowledging receipt is the most engaging way to keep the consumer informed of their contract options. SSE thinks it is important to keep the consumer informed of their contractual status via communications which are likely to be read and retained, such as their bills. SSE already includes this information on its business customer's bills. As part of SSE's RMR solution, we now keep all of our business customers, who are on fixed term contracts, continuously informed of their contract status via messages on their bills. We update the messages to inform the customer when they have renewed or terminated their contract and what they should do next, and will apply messages to prompt those business customers who have not yet taken any action. We believe this solution is a more effective way of keeping the consumer engaged and informed of their contract options.

Please find our detailed answers to the consultation questions attached below. We hope our comments will assist Ofgem in making its final decision on the proposals. We would be happy to discuss any of our comments in more detail and welcome any queries you may have.

Please contact me in the first instance if you require anything further.

Yours sincerely

Lois Wares
Regulation

Proposals for non-domestic automatic rollovers and contract renewals

Consultation Questions

Question 1: Do you agree with our proposals to reduce the maximum termination notice period to 30 days?

SSE currently offers a 30 day termination notice period. We believe standardising the termination notice period to 30 days will make the contract renewal process clearer for customers and we therefore agree with Ofgem's proposal to reduce the maximum termination notice period to 30 days. We agree with Ofgem's concern that variations in termination notice periods can cause confusion for customers switching between suppliers.

Question 2: Do you agree with our proposals to include current prices and annual consumption on contract renewal letters?

We agree that focussing the consumer's attention on the impact of not contacting their supplier when their contract ends is important. SSE's contract renewal notices already inform the consumer of these impacts, advising them that if they terminate their current contract and then do not re-negotiate with us or switch, they will be put onto our deemed rates, or if they do nothing at the end of their current contract they will be put onto our variable business rates. These rates are available via our business website. As our deemed and variable business rates are frequently reviewed and subject to change, we do not think it would be appropriate or necessarily beneficial to the consumer to have these printed on the renewal notice as the rates quoted at the time the renewal offer is sent out could differ from those available when the contract ends. We believe a statement on the renewal notice warning the consumer that 'out of contract' rates are significantly higher than the rates they could receive if they negotiated a contract with their supplier would be beneficial to the customer and would not risk misleading them as to the rates they would be liable to pay when their current contract comes to an end.

SSE wants to help consumers make informed decisions about their contract options. We therefore agree with Ofgem's proposal to include on the renewal notice, the annual consumption information necessary for the consumer to calculate the impact of any price change. The consumer should be able to easily compare the rates of their current contract with the renewal rates being offered in a way which allows them to forecast the cost of their contract for the full term. The consumer will then also be able to use this consumption information to calculate how much it may cost them if they are moved onto deemed rates or variable contract rates for an extended period of time. We think this is likely to prompt the consumer to contact their supplier to negotiate a better deal.

Question 3: Do you agree with our proposal to require suppliers to acknowledge termination notices received from a customer? Do suppliers already do this?

Whilst SSE acknowledges Ofgem's rationale for this proposal and agrees that action should be taken to address situations where consumers are automatically rolled on to a new contract in error, we think that the requirement to send out an acknowledgement need only apply where the customer can be automatically rolled over. Many suppliers, including SSE, have chosen to end the use of automatic rollovers, meaning there is no risk that the consumer will be automatically rolled onto a new contract if they fail to terminate. SSE's customers will be moved on to our variable business rate and will be allowed to leave at any time without risk of an exit fee. The purpose of the consumer's termination notice has always been to inform the supplier that the consumer does not wish to be automatically rolled on to a new fixed term contract when their current contract ends. In effect, where the contract no longer includes a rollover clause the purpose of the termination notice becomes invalid.

We also do not necessarily think that a letter acknowledging receipt is the most engaging way to keep the consumer informed of their contract options. For example, we have instances where a consumer enters into a fixed term contract with us for a 1-2 year duration, who, at the beginning of their contract, submits their request to terminate at the end of the fixed term. In instances such as this, sending a letter acknowledging termination 2 years before a contract is due to end would act as nothing more than an audit trail for the supplier to say they have acknowledged the receipt. We think it is important to keep the consumer informed of their contractual status via communications which are likely to be read and also retained, such as their bills. SSE already includes this information on all of our business customer's bills. As part of our RMR solution, we now keep all of our business customers, who are on fixed term contracts, continuously informed of their contract status via messages on their bills. We will update these messages to inform the customer when they have renewed or terminated their contract and what they should do next, and will apply messages to prompt those business customers who have not yet taken any action. We believe this solution is a more effective way of keeping the consumer engaged and informed of their contract options.

SSE is looking to provide effective and efficient solutions which will benefit consumers in a cost effective way. Sending out additional communications such as a termination acknowledgement will incur a cost, which will be passed on to the consumer. SSE wants to avoid any additional costs to the consumer.

Question 4: Do you agree with our proposed implementation dates?

The proposed 31 August 2014 implementation may not give us sufficient time to input the additional consumption data on our renewal notices. We will require time to test our

solution to ensure that the information being presented is accurate and does not mislead the consumer. If possible we would suggest delaying the implementation date to 31 December 2014.

Question 5: Do you have views on the proposed amendments to standard licence condition 7A in Appendix 2?

As per our comments under Question 2, we would suggest removing paragraph (c) (ii) from SLC 7A.8, as we believe including deemed contract and variable contract rates could be misleading for the customer and we are also concerned that all of this additional information will cause the renewal notice to become cluttered and difficult to navigate.

As per our comments under Question 3, we believe SLC 7A.12C should be modified to specify that the requirement only applies to contracts with an automatic rollover clause. Otherwise the requirement should be modified so that it does not specify that the acknowledgement must be a separate written notification that must be sent out within 5 working days of receipt of the termination. In its current drafting the licence requirement restricts suppliers from investigating and applying alternative methods for communicating key contractual information with consumers which may in fact be more beneficial to them. Reviewing and developing new processes is a key part of the Standards of Conduct and we think suppliers are best placed to investigate customer needs and offer preferred solutions to problems.

Question 6: Do you agree that the current licence conditions provide sufficient protection to consumers on deemed contracts?

We agree that the current licence conditions provide sufficient protection to consumers on deemed contracts.

Question 7: Do you agree that a more consistent use of terms across suppliers would benefit consumers?

We agree that a more consistent use of terms across suppliers would benefit consumers and are engaging with Energy UK on this matter.

Question 8: Should suppliers be able to object to the transfer of a deemed consumer with outstanding debt?

This is not something which SSE will be looking to enforce through our deemed contracts, however we are not adverse to allowing suppliers the opportunity to object to a transfer where there is a significant amount of consumer debt. We think this could be particularly important for smaller suppliers.

Question 9: Do you consider there are any other options we have not considered?

We think all of the relevant options have been considered.

Question 10: Do you agree that we should not ban automatic rollover contracts?

We think a ban on automatic rollovers would not address the more important issue of increasing consumer engagement and awareness of contract options. We think Ofgem's RMR solutions already aim to improve consumer awareness of key contractual information and the contract renewal process, and more could be done to improve consumer engagement and further lessen the risk of consumers being automatically rolled over, where this risk still exists.

Question 11: Can you estimate the potential costs and benefits (in £) of our preferred options?

Our main costs will relate to the cost of IT changes to incorporate the additional information on our renewal notices. Estimated costs will be sent in a separate confidential note.

Question 12: Are there any other impacts we have not identified?

We do not have any further comments on the potential impacts.