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Consumers & Competition  
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21 June 2018

Dear Fiona and Barry,

### **DOMESTIC SUPPLIER-CUSTOMER COMMUNICATIONS RULEBOOK REFORMS**

Thank you for the opportunity to respond to the above consultation, which sets out Ofgem's policy proposals on reforms to the requirements for communications with domestic customers.

ScottishPower is supportive of the move to a principles based regulatory framework for customer communications. We have been fully engaged in and supportive of Ofgem's programme of work in this area, including:

- Sharing with Ofgem the results of our proactive trials during 2016 and 2017 on increasing engagement with customers coming to the end of a fixed term tariff, and on engaging customers on our Standard Variable Tariff;
- Sharing with Ofgem the findings of our research in 2016 into Bill design to help inform the redesign of our customer bills;
- Making use of Ofgem's market wide derogation granted in December 2017 for the End of Fixed Term Notice to trial changes to the Notice to further improve our engagement with customers coming to the end of a fixed term tariff;
- Proactively engaging with the work undertaken by Energy UK during 2017 and early 2018 on the request of Ofgem to assess where principles based regulation could be used to better engage with customers than the current prescriptive framework.

We consider Ofgem's policy proposals to be a positive next step towards delivering the desired changes as quickly as possible to ensure customers can benefit from these changes. We agree that a "one size fits all" approach to customer communication no longer meets all of our customers' needs, and having more flexibility to deliver communications will ensure we can deliver the right communications in the right form at the right time for each customer. A more flexible approach to communications will allow suppliers to communicate with their customers in alternative and innovative ways in response to customer preferences, and will ultimately help deliver a better consumer outcome.

We agree with the proposed consumer outcomes Ofgem has identified to inform the new principles. In general, we think the proposals set out in the consultation for new principles, along with the removal of some existing prescription, will allow suppliers to deliver the desired outcomes for consumers.

However there are some areas where we have concerns that Ofgem's proposals are creating new requirements of suppliers without sufficient evidence that this is needed to meet the desired consumer outcomes. Additionally, there are some areas where we think that Ofgem's evidence suggests further prescription could be removed. In particular:

- **Requirement to “provide” rather than “make available” bills:** We are comfortable that the proposed principle for “bills and billing information” will allow suppliers to meet the desired consumer outcomes, but we are concerned that Ofgem is extending the current obligations on suppliers by requiring that suppliers “provide” the required information, rather than “make available”, which is the current drafting within SLC 21B.5<sup>1</sup>. When SLC 21B.5 was introduced, the Government considered the ability of online account management systems to generate a statement of account for a customer when they input a meter reading and concluded they did *“not want to deter this and other innovative ways of providing a customer with billing information and so the Government will modify the proposed licence conditions to cover situations where a supplier makes available a bill or statement of account as opposed to providing it”*<sup>2</sup>. We are not aware of any evidence to support moving away from the Government's decision in 2014, and given that online adoption levels and technology development has advanced further since this decision, we believe Ofgem should retain the “make available” drafting in this principle to ensure there is no barrier to innovation.
- **Prescription around Cheapest Tariff Messaging (CTM):** We agree with Ofgem that the policy intent for having the CTM remains valid and welcome proposals to remove some of the prescriptive content, placement and formatting requirements. This will allow suppliers flexibility in how and where this information is provided, based on their experience of how best to engage with their customers. However, Ofgem is still planning on retaining the requirement to set out both the cheapest similar and cheapest overall tariffs, despite acknowledging in the policy consultation (paragraph 3.7) that in its own research customers find this confusing. Our research backs this up, and therefore we think further consideration should be given to removing the prescriptive requirement to provide savings messages for two different tariffs.
- **Requirement to notify customers of a price decrease:** We are concerned that Ofgem's proposals include a requirement to notify customers of price decreases as well as changes that are to the customer's disadvantage. This will significantly increase the obligations and costs for suppliers compared to the existing obligations under SLC 23.3 - particularly following introduction of the default tariff cap. The consultation suggests that customers may be unable to make an informed choice if they are not directly informed of a price decrease, but we do not think this would be the case. We already state in our Terms and Conditions that we will not issue specific communications to notify customers of a price decrease at the time of the decrease, but instead make information available on

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<sup>1</sup> SLC 21B.5 states that suppliers must “make available a Bill or statement of account to each of its Customers at least twice yearly and at least quarterly to any customer who requests it”

<sup>2</sup> Paragraph 3.12. Implementing the Energy Efficiency Directive provisions on gas and electricity billing. Government Response to Consultation. URN 14D/181 – June 2014

our website and via the customer's online account. We will also notify the customer of their new prices in our next relevant communication with the customer and use the flexibility that these proposals provide to clearly signpost any price decrease in relevant communications. If a customer is shopping around for a new deal, whether with their existing supplier or via a PCW, they will be provided with an accurate comparison based on their up to date tariff data. In these circumstances we can see no material risk that a customer would be misled if their supplier has not directly informed them of a decrease in their prices. We think the drafting should be amended to refer only to disadvantageous price changes.

These points are included along with our answer to the consultation questions in the attached Annex.

Ofgem says it intends to issue a statutory consultation at the end of summer 2018 prior to issuing a decision by the end of the year. In order to allow suppliers to move forward swiftly with the changes proposed, we would encourage Ofgem to consider offering a market-wide derogation in specified areas once proposals have reached the statutory consultation stage.

If you have any questions about our response or would like to discuss it further, please contact me or Rachel Furlong ([rfurlong@scottishpower.com](mailto:rfurlong@scottishpower.com)).

Yours sincerely,



**Richard Sweet**  
Head of Regulatory Policy

**CONSULTATION ON DOMESTIC SUPPLIER-CUSTOMER COMMUNICATION  
RULEBOOK REFORMS - SCOTTISHPOWER RESPONSE**

**Chapter 2: Our approach and an overview of our proposed new rules**

**Question 1: Do you agree in general with our proposed reforms to the rules related to supplier-customer communications?**

We are supportive of the move to a more principles based regulatory framework for customer communications set out in Ofgem's policy consultation. As we have said previously in our bilateral engagement with Ofgem's Future of Retail Regulation (FRR) programme, our own experience of communicating with customers tells us that a 'one size fits all' approach no longer meets all of our customer needs and having more flexibility to deliver communications in alternative and innovative ways, and with alternative messaging, will help deliver a better consumer outcome. With the development of new technology and innovative approaches to customer communications, it is particularly important that the regulatory framework is flexible and sufficiently future-proofed to ensure that suppliers can adapt their communications in line with the preferences of their customers.

We think that Ofgem's desired consumer outcomes for communicating with customers are the right ones, and we think the proposed reforms set out in the consultation document will help suppliers meet our customer needs more effectively and deliver those consumer outcomes in the best way for our customers. We would note that ScottishPower was fully engaged in the review undertaken by Energy UK into customer communications<sup>3</sup> and we are pleased to see many of the recommendations that were made as part of the review being taken forward in the proposals set out in this consultation.

We generally agree with Ofgem's proposed set of narrow principles, and on the areas identified by Ofgem for removing prescriptive rules. However there are some areas where we think the principles are in effect "raising the bar" compared to the current licence conditions and where we do not believe Ofgem has sufficient evidence to support the need for this increase in consumer protection, given the potential impact on suppliers. These include the change in language to "provide" rather than "make available" bills, and the potential need to inform customers of advantageous changes to terms. We also think there are some areas where Ofgem's evidence suggests further prescription, over and above what is currently proposed could be removed, in particular, retention of the requirement to provide both a cheapest similar and cheapest overall tariff. We cover these points in our responses to Questions 2 and 9.

The changes proposed by Ofgem are significant, and we think engagement between Ofgem and suppliers will be important as the new regulatory framework for customer communications is introduced. In particular, Ofgem has previously highlighted its intention to offer "targeted advice" in response to supplier questions as new obligations are introduced as part of the FRR programme<sup>4</sup>. We think it will be useful to continue to have constructive conversations between Ofgem and key stakeholders during the implementation of these new proposals, particularly during the early stages as parties adapt to the new framework, and we think this will support the building of trust between suppliers and the regulator.

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<sup>3</sup> Energy UK (Sept 2017) [Rules of engagement: Putting customers at the heart of communications](#)

<sup>4</sup> Ofgem (Dec 2015) [The Future Of Retail Market Regulation Consultation Document](#)

While we see a continued role for monitoring using quantitative reporting, we think that alternative methods for monitoring consumer outcomes may be required in a more principles based regulatory framework. In particular, we agree with Ofgem's assessment that engagement cannot be measured only through assessing levels of internal or external tariff switching, and that there are other ways that a consumer can be engaged. Ofgem's monitoring of supplier compliance must therefore recognise that, within a principles based regulatory framework, there will be alternative ways of achieving a desired outcome. This needs to be recognised by all parts of Ofgem, including within compliance and enforcement activities.

**Question 2: Do you think our proposals make appropriate use of principles and remove the right amount of prescription? Have we gone too far, or not far enough in removing prescription to enable suppliers to innovate?**

We are generally in agreement with the narrow principles proposed by Ofgem and the prescriptive rules it proposes to remove. We think it will allow suppliers the flexibility to develop innovative, tailored communications in line with customer characteristics and preferences to deliver the desired consumer outcomes.

We do however think there are some additional areas of prescription that could be removed by Ofgem - either as part of the current process, or in the future when there may be an opportunity to replace with principles some of prescriptive requirements stemming from EU legislation. A number of these points were recommended within the Energy UK review of customer communications and it would be helpful to understand why Ofgem has not taken these forward at this point. In particular:

- **Cheapest Tariff Messaging (CTM):** We agree with Ofgem that the policy intent for having the CTM remains valid. We welcome Ofgem's proposals to remove some of the prescriptive content, placement and formatting requirements for the CTM, as this will allow us flexibility in how and where this information is provided based on our experience of how best to engage with our customers. However, Ofgem is still planning on retaining the requirement to set out both the cheapest similar and cheapest overall tariffs, despite acknowledging in the policy consultation that in its own research (paragraph 3.7) customers find this confusing. Our research backs this up, and therefore we think further consideration should be given to removing the prescriptive requirement to provide savings for two different tariffs. We would be happy to undertake trialling to assess this if it would assist Ofgem to move this proposal forward.
- **Prescription to meet EU legislation:** We note that in some areas, prescriptive rules have been introduced to meet EU legislation outside of Ofgem's remit, for example rules around QR codes or the frequency with which bills must be issued to traditional credit customers. Whilst we recognise that Ofgem is currently constrained in its ability to change these requirements, we would ask that these items are revisited at a suitable juncture.

**Question 3: Do you think there are any areas of particular risk to Vulnerable Consumers that are not already addressed in this consultation and/or by the vulnerability principle in the Standards of Conduct?**

We cannot think of any areas of particular risk for vulnerable customers which are not already covered by the proposals in this consultation or by the vulnerability principles in the Standards of Conduct, which require suppliers to take account of any customer in vulnerable

circumstances. We think the proposed changes to customer communications will allow suppliers the flexibility to tailor communications to customers' needs or characteristics, including customers in vulnerable circumstances.

**Question 4: Do you support our proposed changes to the rules regarding the: (i) content, (ii) format, layout and wording, and (iii) frequency and timing of communications? If not, why not?**

We agree that the content, form and frequency of communications are each important in determining how effective communication to customers is in enabling and encouraging engagement. We set out below our thoughts on Ofgem's proposed approach in each area:

**(i) content**

We agree with Ofgem that while prescription of content can offer consistency in communications across the market, the current level of prescription within the content limits suppliers in tailoring communications to customers based on their preferences and limits the ability of suppliers to adapt communications to evolve to changes in the energy market and the needs of their customers.

We therefore agree with Ofgem's proposals to remove much of the prescription around the content of communications as this will allow suppliers more flexibility to deliver tailored communications, and allow changes to be made where evidence suggests customer needs are changing.

**(ii) format, layout and wording**

Similarly, we agree with Ofgem's proposal to remove prescription around format, layout and wording of customer communications. Ofgem notes that this level of prescription can at times disrupt the flow of some communications, and we think allowing suppliers greater flexibility to define the appropriate positioning of information in communications, and the wording used, based on customer needs will deliver benefits to engaging with consumers.

**(iii) frequency and timing**

We agree with Ofgem that it is important that consumers get the right information at the right time to enable them to engage with the market and make an informed choice. We agree with Ofgem's proposals to remove much of the current prescription that defines when suppliers engage with their customers, and we think the new principles will offer more flexibility to tailor when information is delivered to customers based on their preferences. However, we think that there could be benefits of including some additional guidance regarding the requirements of when the new 'encourage and enable' principles would apply.

As we set out in our response to Question 5, we agree with Ofgem's proposal to introduce a defined term for Key Engagement Points. We note Ofgem's intention that suppliers would also be required to provide information "throughout the year" where it could be argued a customer has limited Key Engagement Points in a particular year due to their tariff and/or payment method preferences however has not proposed including any definition of what "throughout the year" means within the proposed principles themselves. We think it may be helpful to consider including such guidance within the principle to ensure future new entrants understand Ofgem's intention without having to reference the policy consultation document.

## **Question 5: Do you agree with the key features of the new principles:**

### **(i) Key Engagement Points**

We welcome the flexibility proposed to tailor communication to the key stages of the customer journey rather than prescribing the timing of when customers should get this information therefore we agree with Ofgem's proposal to include a defined term for Key Engagement Points. We agree that the definition of Key Engagement Points will help ensure that customers get the right information at the right time to allow them to make informed choices.

### **(ii) Characteristics and preferences**

We welcome the emphasis on tailoring customer communications based on customer characteristics and preferences, however suppliers will need to do this in line with their obligations under the General Data Protection Regulations (GDPR) on profiling and marketing consents. In particular, the ability of suppliers to tailor communications to customer preferences will depend on the level of information that customers make available to suppliers and whether customers consent to this information being used. Some information will be readily available to the supplier at a customer level (for example whether the account is managed online or offline and the customer's current payment method), however customers may choose not to consent to suppliers using their information for profiling or developing targeted communications.

### **(iii) Expectations of suppliers**

We agree that the changes proposed by Ofgem will allow suppliers to deliver good consumer outcomes by offering greater flexibility around how different consumer needs are met in delivering engaging customer communications.

As we note in our response to Question 1, the changes proposed by Ofgem are significant, and we think engagement between Ofgem and suppliers will be very important as the new regulatory framework is introduced, particularly during the early stages as parties adapt to the new framework.

Ofgem's monitoring of supplier compliance must recognise that within a principles-based framework there will be alternative ways of achieving a desired outcome. This needs to be recognised by all parts of Ofgem, including compliance and enforcement. Ofgem should be considering alternatives to quantitative reporting for monitoring consumer outcomes under the new regulatory framework, as for example, engagement cannot be measured only through assessing levels of internal or external tariff switching. Where suppliers can demonstrate that they have made evidenced based decisions, implemented appropriate monitoring and taken action where issues are identified, any concerns should be addressed as a compliance rather than enforcement matter.

## **Chapter 3: Encouraging and enabling engagement**

**Question 6: Do you agree with our package of proposals to change the current customer communications rules to "encourage and enable" engagement? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers' ability to innovate.**

We agree with the intent behind Ofgem's proposals to change the current communication rules to encourage and enable consumer engagement. We think that, in general, the

proposed principles (and removal of prescription) will allow suppliers to better meet consumer needs as to how and when they prompt consumers to engage with the market. The revised proposals will allow suppliers to be more innovative in how they communicate to customers - which will ultimately drive better consumer outcomes as suppliers adapt their communications to meet evolving customer preferences.

We do however have some comments on the drafting of the proposed principles and outcomes which we set out below with proposed amendments to the draft principles where relevant.

- We welcome Ofgem's revised drafting in the "contract choices" principle from "*consumers are encouraged to switch tariff and/or supplier*" proposed in the previous working paper, to customers are "*enabled*" to "*understand that they can switch Tariff and Energy Supplier*". As we noted in our verbal feedback on the working paper, it would be inappropriate for suppliers to encourage a customer to switch tariff or supplier where the customer was already on the best tariff for them.
- We agree with the proposed principle to "enable" customers to understand that they can switch supplier but we think that the corresponding outcome is inconsistent with this principle and should be reworded to reflect that suppliers should "make it easy for customers to understand" that they can switch tariff or supplier.
- Ofgem is proposing that suppliers also enable a customer to understand "*how they may benefit financially*" from switching tariff and supplier. While we are comfortable that suppliers can meet this principle for switching internally through the proposed amended Cheapest Tariff Messaging, we are not convinced that this part of the principle should apply to external switches as the drafting currently suggests. We do not believe it is Ofgem's intention that suppliers provide detailed information about the savings customers may make by switching tariff, ie a cheapest market tariff message. In particular, we note that Ofgem states in the box under paragraph 3.29 "*Our amended requirement would require suppliers to clearly inform consumers, at Key Engagement Points and throughout each year, of how much they could save by switching to the cheapest similar and cheapest overall tariffs available from their supplier*".

To ensure it is clear that the new proposals do not suggest such an increased obligation on suppliers, we would suggest amending the current principle as set out below:

*Enabling that Domestic Customer to understand that they can switch Tariff and Energy Supplier, and how they may benefit financially from doing so **with the Domestic Customer's current licensee.***

- As noted in our response to Question 4 (iii) in relation to the timing and frequency of prompting consumers to engage, we think it may be helpful to consider including guidance within the licence conditions to ensure new entrant suppliers understand Ofgem's intention on the requirement to provide information "throughout the year" without having to reference the policy consultation document.

Finally, in terms of compliance with the new proposals, we would also welcome confirmation in the statutory consultation that, as discussed at the Ofgem workshop on 30 May, the information provided to customers during inbound and outbound telephone calls, or when the customer logs into their online account, would be considered within any assessment of a supplier's compliance with the timing and frequency obligations in this principle, given these are clear examples of a customer engaging with the energy market.



### **Question 7: Do you agree with our definition of Key Engagement Points?**

We think the proposed definition of Key Engagement Points is appropriate and will help ensure that suppliers provide customers with sufficient information to make an informed choice about their tariff at the appropriate times through the customer journey with their supplier.

We welcome the emphasis on communication at Key Engagement Points in this consultation rather than “frequently” which was referenced in Ofgem’s working paper. We think this ensures the focus is instead placed on the provision of information at appropriate points in the customer journey with their supplier.

### **Chapter 4: Assistance and advice**

**Question 8: Do you support our package of proposals to change the current customer communications rules to ensure consumers are aware of, and can obtain, “assistance and advice”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.**

We agree with Ofgem’s proposed changes to ensure customers are aware of, and can obtain, assistance and advice in relation to their energy supply. The proposed principle will offer more flexibility in how and when suppliers provide this important information, which will ultimately offer better consumer outcomes than the current prescriptive rules.

We would however suggest that it is difficult for suppliers to make customers “*aware of and understand*” the source of information and advice and would suggest this outcome is reworded to “*make it easy for customers to find and understand*” the sources available to them.

### **Chapter 5: Bills and billing information**

**Question 9: Do you support our proposed changes to the customer communications rules relating to “Bills and billing information”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.**

#### **Content**

We agree with Ofgem that the current level of prescription around the content and layout of bills and statements of account presents a barrier to some customers in understanding the communication. Recently the bill has become the main method of providing information to consumers, with significant additions to the information required to be provided. This has resulted in a bill of significant length which has reduced its effectiveness as a prompt to engage, and may result in customers not understanding the purpose of the bill itself, as the most relevant information (requirement to pay, for example) is lost among all the other information provided.

We therefore agree with Ofgem’s proposals to replace prescription with principles, which should allow suppliers to offer customers shorter more focused billing communications, and also allow more innovative ways of making this information available to customers based on their preferences.

We set out in response to Question 10, our views on Ofgem’s proposed distinction between bills and billing information and what this means for bills and consumers.

#### Format, layout and wording

We agree with Ofgem that providing bills either in paper format or pdf format to customers who manage their account online may no longer be meeting consumer preferences as new technologies evolve. As Ofgem notes, the current prescriptive requirements particularly in relation to the layout of the bill make it challenging for suppliers to provide the communications in any other format. We think the proposed principle will better allow suppliers to meet consumer needs in how they deliver bills and billing information in the future.

We note Ofgem’s intention to introduce a new requirement for Bills to be provided in a form that allows consumers to easily retain a copy or which is made easily available for reference. However Ofgem will not prescribe that Bills should be provided in a particular format, such as in paper or PDF form. It is not clear to us that Ofgem has provided a draft of the intended new prescriptive licence condition for this requirement, as we would note that the drafting of the principle relating to format does not explicitly refer to any need for a customer to be able to retain a copy for reference. We agree that bills and billing information is useful information for a customer to be able to reference, and we would expect that suppliers may be able to meet this obligation in a number of ways, for example providing different parts of billing information on different parts of the customer’s online account rather than in one complete document. As long as the customer is able to easily find the required information, we think this would meet Ofgem’s intentions here.

While we are comfortable that the proposed principle for “bills and billing information” will allow suppliers to meet the desired consumer outcomes, we are concerned that Ofgem is increasing the current obligations on suppliers by requiring that suppliers “provide” the required information, rather than “make available” which is the current drafting within SLC 21B.5<sup>5</sup>. When SLC 21B.5 was introduced, Government considered the ability of online account management systems to generate a statement of account for a customer when they input a meter reading and concluded that they did “*not want to deter this and other innovative ways of providing a customer with billing information and so the Government will modify the proposed licence conditions to cover situations where a supplier makes available a bill or statement of account as opposed to providing it*”<sup>6</sup>. We do not see any evidence to support moving away from the Government’s decision in 2014, and given that online adoption levels and technology development has advanced further since this decision, we believe Ofgem should retain the “make available” drafting in this principle to ensure there is no barrier to innovation.

#### Frequency and timing

We agree with Ofgem that the new principles should apply to all domestic consumers including those with smart or prepayment meters. We also agree with Ofgem that there is no one right frequency for bills and billing information and it will be for suppliers to evidence why a particular frequency is appropriate for a particular customer or customer group based on the customer preferences.

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<sup>5</sup> SLC 21B.5 states that suppliers must “make available a Bill or statement of account to each of its Customers at least twice yearly and at least quarterly to any customer who requests it”

<sup>6</sup> Paragraph 3.12. Implementing the Energy Efficiency Directive provisions on gas and electricity billing. Government Response to Consultation. URN 14D/181 – June 2014

### **Question 10: Do you agree with the distinction between billing information and Bills?**

We broadly agree with the distinction between Bills and billing information, and as we note in our response to Question 9, we agree that there are a number of pieces of information currently required to be provided on or with a bill or statement of account, that could be better provided to consumer at other times and through other methods, and this would allow the bill itself to be shorter and more targeted to ensure customers understand their charges and what they need to do in relation to those charges.

We do however have some concerns that the wording of paragraph 5.14, which suggests suppliers could provide billing information separately from Bills and on a more frequent basis, could result in additional extra cost for suppliers without necessarily delivering additional customer benefits. We would therefore suggest that consideration of customers' characteristics and preferences to determine if this is of value to the customer.

### **Question 11: Do you agree our principle reflects the different needs and circumstances of different customer groups, including prepayment customers?**

We believe that the principle for Bills and billing information reflects the different needs and circumstances that different customer groups, including prepayment customers, may have, and allows suppliers flexibility in delivering this important information to those customer groups in an appropriate format and method to meet their needs.

## **Chapter 6: Prices increase and end of fixed-term contracts**

**Question 12: Do you support our proposed changes to the customer communications rules relating to “contract changes”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers' ability to innovate.**

### Content

Ofgem's aims are to ensure the Statement of Renewal Terms (SORT) and Price Increase Notifications (PIN) provides the customer with the key information required to ensure consumers can make informed choices at these important points in the customer journey but are as short and simple as possible. We agree with this, and think that the proposed principle for contract changes generally strikes the right balance between retaining prescription and relying on principles. In particular, we think it helpful, that Ofgem recognises that some information can be provided to consumers through signposting rather than in the communication itself.

### Format, layout and wording

We have set out previously to Ofgem that the level of prescription around the layout and format particularly on the PIN provided a real challenge to suppliers in ensuring consumers could clearly identify the most important information within the communication. We agree with Ofgem that suppliers are best placed to understand the most appropriate format, layout and wording for SORTs and PINs and therefore agree with Ofgem's proposals to remove the current prescription for format, layout and wording for both communications.

### Frequency and timing

We agree with Ofgem's proposals to remove prescription around the timing of when suppliers provide the SORT and the PIN to customers. We think these changes will allow

suppliers to assess the most appropriate timescales to inform customers of contract changes based on our understanding of different customer groups and the type of contractual change. We also think this will allow suppliers to better manage tariff renewal communications (which are currently constrained to an eight day period) more effectively. For example, where a supplier has a large volume of customers on a tariff which is coming to an end, under the new proposals they will be able to issue the SORT communications over a phased period to ensure that when customers receive the communications, their call centres can deal with enquiries quickly and efficiently, which is to the benefit of the customers.

#### Types of changes covered by the rules

We are concerned that Ofgem's changes now create a requirement to notify customers of price decreases as well as changes that are to the customer's disadvantage. This is significantly increasing the obligations and costs on suppliers compared to the existing obligations under SLC 23.3. We raised our concerns with Ofgem in previous discussions on Ofgem's December working paper and at that point were informed that there was no intention to increase protections to customers in this area. We are therefore disappointed that Ofgem has retained this in the current proposals. Ofgem's argument (paragraphs 6.15 and 6.18) suggests that customers may be unable to make an informed choice if they are not directly informed of a price decrease, however we do not think this would be the case. We already state in our Terms and Conditions that we will not issue specific communications to notify customers of a price decrease at the time of the decrease, but instead make information available on our website and via the customer's online account. We will notify the customer of their new prices in our next relevant communication to them and will utilise the flexibility that these proposals provide to clearly signpost any price decrease within our communications. We think that in circumstances where a customer would be making a choice in relation to their tariff, sufficient information is available to allow the customer to make an informed choice. For example:

- when receiving a communication from their supplier, the customer would receive accurate information on the current prices of their tariff including the CTM where relevant;
- if the customer shops around for alternative deals with their existing supplier or via a PCW, their supplier and PCW will both have up to date prices and be able to offer correct price comparisons.

In each case we can see no risk that a customer would be misled if the supplier had not directly informed the customer of the decrease in their prices. Given the increased costs to suppliers of communicating price changes once the default tariff cap is introduced, we think the drafting should be amended to reflect only disadvantageous price changes. The obligation would then be on suppliers to ensure it assessed whether a price decrease could result in any detriment to the customer in assessing whether there was a need to inform the customer of the change. Indeed suppliers could signpost any decrease in prices to customers in their next bill.

We note that Ofgem is not intending the new principle to apply to other contract changes at this point, in particular, the requirements around mutual variations in SLC 23A, and those relating to a contract ending. We think that Ofgem should be considering these under the new principle whether as part of this process or at a later date. We would note in particular that the requirements for mutual variations are quite challenging for suppliers to implement and our understanding is that this means that in practice most suppliers do not believe the option of using a mutual variation is a practicable one due to the communication requirements, and therefore we would welcome Ofgem considering this further.

## **Chapter 7: Annual statements**

### **Question 13: Do you agree with our proposal to no longer require suppliers to provide Annual Statements?**

Whilst we have not undertaken any specific research in relation to the Annual Statements, we broadly agree with Ofgem's assessment that it is not the most effective prompt for engaging customers at present.

### **Question 14: Do you agree that the intended outcomes of the Annual Statement are reflected in our proposed new principles?**

We agree that the intended outcomes of the Annual Statement are reflected in the new proposed principles and therefore believe that customers will receive the information currently required within the Annual Statement at relevant times during the customer journey as a result of suppliers' actions to meet the new principles.

**ScottishPower  
June 2018**