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Dear Stew,

Proposals to improve outcomes for prepayment customers

Thank you for providing SSE with the opportunity to comment on Ofgem's proposals for prepayment meter (PPM) customers.

We are supportive of Ofgem's work in this area, however we do have concerns that some of Ofgem's proposals are not the most appropriate means of delivering an improved customer outcome.

Our key concern is regarding the proposal to cap or prohibit recovery of warrant related costs. This proposal would result in these costs being recovered from the wider customer base; we do not think this is fair on customers. We also note that implementing this proposal would involve a change to primary legislation. The right to recover the costs of installing a PPM under warrant is set out in both the Gas Act 1986 and the Electricity Act 1989.

We consider that proposals to help customers better understand the collections process, the costs involved and how to avoid them are more appropriate and beneficial. We therefore are supportive of the principle behind Ofgem's proposal to 'Set out clear expectations of supplier behaviour'.

This cover letter and the attached annexes are non-confidential.

Please get in contact with me if you have any questions on this response.

Yours sincerely,

Fiona Casey
Regulation, Markets

Annex 1 – Overarching note on recovery of warrant costs

Whilst SSE is keen to assist all customers including those who are vulnerable, it does not consider Ofgem’s proposal to cap or prohibit the recovery of warrant charges to be an appropriate or effective means of providing support for customers. In addition, SSE notes that the proposal could cause unintended consequences for the wider customer base. As such, SSE does not support Ofgem’s proposal. Whilst SSE appreciates that Ofgem has outlined a number of potential options, SSE questions whether any proposal to cap or prohibit the recovery of warrant costs is contrary to the primary legislation.

A cap or prohibition on recovering the costs incurred with a prepayment meter installation under warrant would operate as a restriction on a supplier’s statutory right to recover any incurred expenses. SSE argues that imposing a cap on warrant charges is contrary to the primary legislation which governs the process for installing a prepayment meter under warrant. Both the Gas Act 1986 (Schedule 2B (7) (3)) and the Electricity Act 1989 (Schedule 6 (2)) provide the statutory right for energy suppliers, where consumers have not made the relevant payments in the requisite period to (1) install a pre-payment meter on the premises; or (2) disconnect the premises, “and the supplier may recover any expenses incurred in so doing from the customer”. A cap is a breach of a supplier’s statutory right to recover “any expenses incurred” and SSE questions whether Ofgem has considered this in light of these provisions and the potential requirement for amendment to the legislation.

Annex 2 – SSE response to consultation questions

CHAPTER 2: Installations carried out under warrant

Question 1: Do you agree with the scope of warrant charges?

As noted in paragraph 2.8, the scope of ‘warrant charges’ in the consultation includes costs incurred in the pre-warrant collections journey. This means that costs incurred by customers who ultimately avoid having a PPM installed under warrant will be included under ‘warrant charges’. Whilst we feel that the term ‘warrant charges’ is therefore slightly inaccurate, we do understand the logic behind considering collections charges alongside warrant charges; this is because the pre-warrant collections stage is a necessary step prior to proceeding to the warrant stage.

SSE’s approach to debt is to be transparent in discussing and highlighting to customers the potential costs of collections activity. To this end, our proactive collections letters, sent after the reminder and statutory demands have been issued, include a table showing the charges that could be incurred if the customer does not contact us to discuss their circumstances. In doing this, we clearly explain the costs involved both in the collections related visits to the property and in the later warrant related activity. Customers are made aware that they can avoid these costs by engaging with us.

Question 2: Do you agree with the desired consumer outcomes?

Yes, we consider Ofgem’s desired consumer outcomes to be reasonable and appropriate. Our own strategy and approach to debt recovery are already closely aligned to what Ofgem has suggested in paragraphs 2.23 to 2.28, for instance:

- Collections activity is already a TCF consideration for SSE;
- Customers are made aware of the costs involved and how to avoid them;
- PPM installations (and disconnections) under warrant are an absolute last resort for SSE;
- All customer facing staff have received Ability to Pay training and take this into account when agreeing repayment rates¹;
- We are party to the Energy UK Safety Net and are audited annually against these principles, having most recently passed with an “Excellent” rating; and
- Our Collections team work closely with our Vulnerability team to continuously improve in this area and meet the aims of Ofgem’s wider Consumer Vulnerability Strategy.

We do seek clarity on Ofgem’s use of the term “most vulnerable” and whether this includes all vulnerable customers or a particular sub-set. In addition, we are keen to understand the reasons behind Ofgem’s concerns that vulnerable customers may be “penalised” and face “additional charges because of their vulnerability”. We are not aware of any practices which

¹ SSE notes that Ofgem’s Social Obligations Reporting annual report showed that SSE’s average weekly debt repayment rate was amongst the lowest in the industry, demonstrating that SSE is committed to allowing customers to pay back their debt in affordable instalments.

would penalise vulnerable customers. We always take into account a customer's personal circumstances (including any vulnerability or vulnerable situation) and ability to pay throughout the collections journey.

Question 3: Which option set (A, B or C) do you think will be most effective at meeting our consumer outcomes?

Warrants are an absolute last resort for SSE. It is far preferable for SSE if the customer engages with us, sets up a repayment plan (which takes into account their personal circumstances and ability to pay) and avoids the collections process. To this end, we have reviewed our collections communications to ensure that customers are fully aware of the costs involved with warrants and that they can avoid these costs by engaging with us. We are transparent with customers throughout the process.

We aim to be clear and fair with customers and provide prompts to engage, thus we are supportive of the principle behind the proposal to 'Set out clear expectations of supplier behaviour'. We feel that this proposal, in addition to the Energy UK Safety Net and the Standards of Conduct, would help to improve standards and treatment throughout the industry. However, we do seek clarity on what form the "clear expectations" will take. We would not be supportive of prescription or narrow principles but would support an appropriate set of broad principles.

Referring back to Annex 1 – Overarching note on recovery of warrant costs, we are unable to support any of the three option sets. This is due to the fact that the proposals are in breach of suppliers' statutory right to recover "any expenses incurred" in installing a prepayment meter (or disconnecting a customer) under warrant. This right is set out in both the Gas Act 1986 (Schedule 2B (7) (3)) and the Electricity Act 1989 (Schedule 6 (2)).

We note that removing (or capping) suppliers' ability to recover costs from an individual customer would lead to those costs being recovered from the customer base as a whole. We do not feel that it is fair to apply these costs to the customer base as a whole.

We also note that recovering these costs from the wider customer base may cause an increase in the total costs incurred during debt recovery and warrant activities. At present, recovering the costs from an individual customer may give that customer an incentive to engage sooner and keep the costs as low as possible. If costs were recovered from the customer base as a whole then no incentive would exist for the individual customer to keep the costs low. This could mean that the total level of costs incurred by industry could increase significantly, therefore increasing customer bills noticeably.

Question 4: Should cases of energy theft or wilful damage to the meter be exempt from our proposals?

As noted earlier in this response, SSE is unable to support the proposal to cap or prohibit any recovery of expenses as this goes against supplier rights as set out in the Gas Act and Electricity Act. Notwithstanding this, SSE would agree that customers who are wilfully

evading payment and committing a crime should be held accountable for their actions and any expenses incurred.

In energy theft or meter tampering situations we do still apply the same principles around vulnerability identification as with any other customer. We distinguish whether the act has been committed due to extreme financial hardship or other relevant vulnerability, and then handle the case appropriately.

Question 5: For licensees: please explain how you identify vulnerable consumers and provide details of how any such policy or procedure is monitored and reviewed?

We take our responsibilities in identifying and supporting vulnerable customers very seriously, recognising the importance of providing appropriate and adequate safeguards and support. We use a wide definition of vulnerability and encourage customer facing staff (both in our call centres and out field staff who conduct visits to customers' properties, including warrant visits) to be vigilant in identifying signs of vulnerability.

All customer facing staff are fully trained during induction on Ofgem's definition of vulnerability and identifying customers in vulnerable situations. The training focusses on identifying signals which may indicate vulnerability as well as proposed questions we can ask the customer to begin a dialogue on their circumstances and needs. All of our scripting has a standard vulnerability question.

In addition to the training during induction, we also run an ongoing training programme incorporating both classroom learning and eLearning. This training is to help staff with understanding and identifying vulnerabilities, as well as providing information on the financial and non-financial support SSE can provide to customers.

We record calls for monitoring purposes. The calls are monitored by Team Managers who review a minimum of two calls per team member per week. A sample of these calls are then audited by our independent Assurance team. This rigorous approach helps to ensure consistently high quality calls.

All staff are trained in ability to pay and therefore understand the importance and necessity of listening to customers and taking their personal circumstances (including any vulnerability) into account when setting repayment rates.

CHAPTER 3: Installation (non-warrant related) and removal charges

Question 6: Do you have any views on our approach or better alternatives to achieve the outcomes we have identified?

We note Ofgem's proposal not to take action in this area, instead providing a recommendation that suppliers keep under review their approach to non-warrant PPM installations and removals (SSE does not charge for meter installation or removal). We feel that this is an appropriate approach, given that this issue has been covered by the CMA's second supplemental notice of possible remedies (remedy 20b).