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Dear Sir or Madam

**Statutory Consultation: Protecting consumers who receive back bills**

Thank you for providing SSE with the opportunity to respond to the Statutory Consultation announcing the introduction of a new licence obligation to strengthen the protection for consumers who receive back bills.

SSE is committed and supportive of improving how our customers are billed and to ensure all customers receive accurate and regular bills which minimise the risk of back billing and estimated bills and hence reduce the chance of "bill shock". However, SSE has some observations we have provided in response to Ofgem's questions below in Annex 1

Should you have any questions or would like to discuss further, please do not hesitate to get in touch.

Yours sincerely

Omer Hamid  
**Regulation Analyst**

## **Annex 1: SSE response to Ofgem consultation on back bills**

### **Question 1: Do you agree with our assessment of consumer harm? Both for domestic & microbusiness consumers?**

We agree with Ofgem's assessment of consumer harm caused to both domestic and microbusiness consumers due to back-billing. Given the scenarios provided by Ofgem in the consultation document, we are capable in accommodating the proposed back billing licence obligation as we have in place proficient reporting mechanisms allowing us to monitor performance and identify the causes behind back billing. Furthermore, we are capable in identifying vulnerable consumers and the causes behind back billing and in identifying consumer or supplier fault to correctly apply the back-billing principles.

We note, however, that many of the scenarios provided in the consultation document for domestic consumers will also apply to microbusiness consumers. For example, issues associated with customer moves and change of occupier will be applicable to microbusiness customers. We have observed a failure to receive notification of a change of occupier is a common issue, with both the incoming and outgoing party failing to make contact in some instances. This can result in a request to back-bill to the Change of Tenancy date which may result in a detrimental billing of one of the customers.

In addition to the above scenario, the supplier receives notification from a customer that they are responsible for a supply. The supplier updates their records to reflect the customer details and bills them accordingly; the customer also pays the bills. Some months later (or even twelve-months and beyond) the customer, or the supplier, identifies that the supply belongs to an alternate customer (this customer may or may not be supplied by an alternate supplier). Thus, the records for each customer need to be updated and the bills re-issued accordingly. This could cause one customer to receive a lower bill and the other customer to receive a higher bill. Despite a supplier being notified of the Change of tenancy, this is a genuine error which can occur in a multi-tenanted building with different occupants across floors, or even on the same floor where the building contains multiple supply points.

We request Ofgem to consider who will be deemed at fault in such a scenario when applying the proposed license obligation.

The consultation document states:

*"...We do not think it is reasonable to allow consumers to suffer financial and psychological detriment of old back bills when they are not at fault. Even if the fault is not directly with the supplier, the supplier is responsible for correctly billing the consumer for their usage..."*

We will welcome Ofgem to provide their guidance on this matter as it seems to state that if the back-bill is either a result of an error made by, or incorrect information provided to the supplier by a meter operative or the customer that the supplier is still deemed to be at fault; and therefore, must absorb the costs for more than the 12-months.

Furthermore, while SSE supports Ofgem's ambition to ensure consumers are treated fairly and the back billing minimum standards are consistently observed, we are disappointed with the prescriptive nature of the proposed licence obligation. given Ofgem's ambition to move towards a more Principle Based Regime of regulating the market.

**Question 2: Do you agree with the way we are proposing to implement a back-billing limit and the other effects of our proposed licence modification?**

We will require Ofgem to clarify whether they are intending the licence obligation to mirror the Billing Code's Back-Billing principle in its definitions and practice or whether the licence obligation will provide a subtly different approach.

Specifically, we request Ofgem to provide guidance in regards to the draft licence obligation appearing to provide a high threshold for demonstrating customer fault. This raises the requirements in regards to reasonable steps that suppliers are required to undertake to obtain readings and to demonstrate customer fault. Furthermore, we are concerned the proposed wording of the licence obligation may cause customers to avoid cooperating with suppliers in providing meter reads and allowing access to a meter. We seek guidance to following points regarding the demonstration of evidence where a customer may be being obstructive in allowing a supplier to access the meter or customer is inactive in providing meter reads:

1. We seek clarity regarding what Ofgem will deem to be evidence with regards to attempts to gain access to a meter and where a supplier attempts to contact the customer to prompt the customer to submit a meter reading;
2. There may be instances where access to the property is available, however, the meter has been blocked by the Customer preventing a reading from being recorded, therefore, we will send the customer letters and emails to request they unblock the meter to allow us access to record a meter reading. We seek clarification whether this will be considered sufficient evidence to demonstrate a supplier has undertaken all reasonable steps to obtain a meter reading and therefore demonstrating customer fault.

At present, for suppliers to demonstrate customer fault, we are of the understanding that the principles of Treating Customers Fairly preserved in the Standards of Conduct licence obligation are required to be applied. However, we will welcome Ofgem's clarification on

their definition of a customer being inactive or obstructive where the back-billing protection will not apply to the customer.

**Question 3: Do you agree with our assessment of the costs to suppliers?**

We have concerns regarding Ofgem's assessment of the costs to the suppliers to implement system and process changes. At present, all back billed accounts due to the fault of the supplier are held by our Customer Charter team and the Charter Budget. If a 12-month back billing limit is to be preserved in a licence obligation, we will observe an increase in cost due to amending the systems and processes in the Charter. In addition, we will be required to undertake root cause analysis of unbilled accounts which will increase the cost. This is further dependant on the requirements on a supplier in terms of communication to provide customers, therefore, there is an additional FTE requirement in regards to the Charter.

As noted above, we seek Ofgem's guidance on how the proposed licence obligation will operate in practice compared to the Back-Billing principle in the Billing Code to ascertain the extent to which our processes and systems will be required to be amended in line with the proposed licence obligation.

**Question 4: Do you agree with the proposed implementation period?**

We request Ofgem to provide further information if the proposed licence condition is dissimilar to the Billing Code's Back-Billing principle to allow us to assess the system changes required to be amended or introduced considering the limited 56-day implementation period. In the instance, the proposed licence obligation is unlike the Billing Code Back-Billing principle we propose a revised and practicable nine-month timeline to allow suppliers to embed and implement any new and amended changes to the systems.

Furthermore, given the proposed drafting of the licence obligation and, as stated above, the high threshold for proving customer fault appears to raise the requirements in regards to the reasonable steps that suppliers are required to undertake to obtain readings and to demonstrate customer fault. We must consider Ofgem's approach to introduce a high threshold for proving customer fault and reasonable steps for suppliers to undertake in regards to the Billing Code's Back-Billing Guidance on minimum contact attempt for obtaining a meter reading. Therefore, we will be required to make changes across our processes to both gather and record evidence and prove customer fault.

In regards to the process involved in progressing from previously issuing Open Letter to directly issuing a Statutory Consultation, we are concerned in the instance Ofgem are to issue a Decision Notice in early 2018 as stated in the consultation, a precedent may be incidentally set for future engagement in implementing new licence obligations. We will welcome Ofgem's thoughts on the matter.