

Decision of the Gas and Electricity Markets Authority to close its investigation into SSE's compliance with the requirements of conditions 25C.5 and 31A.9 of the Electricity Supply Licence and the Gas Supply Licence

This investigation was opened in November 2017 after SSE advised Ofgem that inaccurate information had been provided to pre-payment meter (PPM) customers in their Annual Statements. The investigation focused on the period between 27 June 2014 and 12 September 2015 when the affected Annual Statements were issued. We found that during that period 1.15m Annual Statements containing incorrect information had been sent to PPM customers.

Our investigation found evidence that:

- SSE's conduct fell short of the Standards of Conduct set out in SLC25.4 by:
 - providing inaccurate and misleading information on Annual Statements, including incorrect Alternative Cheapest Tariff messaging, incorrect estimated annual savings and (on some Annual Statements) overstating estimated annual savings by erroneously including direct debit and paperless billing discounts which should not have been included for PPM tariffs;
 - failing to act promptly to put things right, by not identifying the issue at an early stage and by not escalating action or putting in place appropriate remedial actions, such as proactively contacting the potentially affected customers to advise them of the error.
 - failing to put in place arrangements and processes that were complete, thorough and fit for purpose. SSE's failure to identify the issue at an early stage and take appropriate action evidences the lack of processes that were fit for purpose.
- The conduct outlined above contravened SLC25C.5¹ which requires a licensee to take all reasonable steps to achieve the Standards of Conduct and to ensure that it has interpreted and applied the Standards of Conduct in a manner consistent with the Customer Objective (which is to ensure that each customer was treated fairly).
- Incorrect Alternative Cheapest Tariff messaging was provided to PPM customers on Annual Statements between 27 June 2014 and 12 September 2015, in contravention of SLC 31A.9(d)(ii).

In April 2018 we concluded the analysis of the evidence. Having considered our findings, we decided that this investigation was suitable for alternative action under Ofgem's Enforcement Guidelines², as SSE has acted to put things right, identified the full extent of the breach and there are no ongoing concerns with SSE's IT systems or fault reporting. This enables Ofgem to agree with SSE voluntary redress that reflects the harm to consumers and the seriousness of the issue. SSE has agreed to pay £1m and has admitted liability in respect to the breaches outlined above in a letter to Ofgem. This is considered a proportionate response considering the significant improvements SSE has made to its compliance processes since the error, relatively low consumer detriment and

¹ SLC 25C was replaced by SLC0 on 10 October 2017; at the time of the breach SLC 25C was in effect.

² https://www.ofgem.gov.uk/system/files/docs/2017/10/enforcement_guidelines_october_2017.pdf

the absence of ongoing detriment³. The payment will be made to the Voluntary Redress Fund⁴ which is administered on our behalf by the Energy Savings Trust, as it is impossible to identify which customers would have acted on the incorrect information and therefore suffered harm. SSE engaged proactively with Ofgem by sharing its internal investigation report and complying promptly and fully with our requests for further information.

SSE has implemented improvement action, and now has processes and systems that mean the likelihood of recurrence of this type of issue is significantly reduced. In particular SSE has introduced:

- additional checks of all customer communications after IT changes;
- a composite and documented project management and governance framework; and
- changes to its organisational structures and additional resources to teams responsible for managing systems changes and user acceptance testing, including formalised procedures and rigorous regression testing.

The investigation found that there had been no recurrence of this issue since its resolution in September 2015.

The case highlights key lessons for suppliers when communicating with their customers to ensure that:

- information provided to customers is complete, accurate and not misleading;
- in terms of content and presentation, it does not create a material imbalance in the rights, obligations or interests of the licensee and the Domestic Customer in favour of the licensee⁵; and
- the information is sufficient to enable the domestic customer to make informed choices about their supply of electricity (*and/or gas*) by the licensee.

Office of the Gas and Electricity Markets Authority

7 June 2018

³ Although around 1.15m Annual Statements with incorrect information were sent to SSE customers, we found that only a small proportion of those customers would have acted on the information and therefore concluded that the overall harm caused to customers was low.

⁴https://www.ofgem.gov.uk/system/files/docs/2017/08/authority_guidance_on_the_allocation_of_redress_funds.pdf

⁵ Reference is to SLC 0 which replaced SLC 25C, the use of the term material imbalance reflects the current wording.