



SSE Airtricity

**Review of the Prohibition of the use of Annual Bill or Annual Cost for
Quotations or Comparison in the Domestic Marketing Code of Practice**

11th February 2021



Introduction

SSE Airtricity welcomes the opportunity to respond to the Utility Regulator's (UR) consultation on changes to the Domestic Marketing Code of Practice. The consultation seeks stakeholder views on the UR's review of the prohibition of the use of Estimated Annual Bill or annual costs quotations to consumers in the Domestic Marketing Code of Practice for Energy Suppliers. The proposal, as outlined, would allow consumers to be given comparisons of different tariffs in the market, on the basis of an annual average cost.

The Consultation Paper outlines two specific questions for respondents to consider. We address each of these questions in turn below.

Q1) Do respondents have any objections to the removal of the prohibition on annual bill comparisons that is currently in the Domestic Code of Practice

SSE Airtricity have no objections to the removal of the prohibition on annual bill comparisons that is currently in the Domestic Code of Practice. We are in agreement with the UR that this proposal will allow for greater competition in the market and contribute to an enhanced consumer experience of switching in Northern Ireland. The UR's Transparency Reports, for example, indicate that in 2019, 13.1% of the domestic electricity market switched, which was an increase on 2018 figures. Simple, easy to use comparators such as annual costs associated with tariffs can further enhance switching rates by removing information barriers for consumers. Whilst the use of Estimated Annual Bill comparisons is not mandated in Britain, its use is required in the Republic of Ireland where the regulator has mandated that Suppliers must include an Estimated Annual Bill (EAB) on all marketing material which promotes a specific energy offer. This approach has resulted in a high switching rate in Ireland, when compared to other EU countries.

Q2) Are there any issues with the deletions and/or new drafting in the Domestic Code of Practice (Annex I to this consultation paper).

The consultation proposes to base the EAB figure on average annual consumption figures of 3,200 kWh for electricity and 12,000 kWh for gas. The paper states that whilst these figures are not perfect, they are the existing values used within CCNI's Price Comparison Website (PCW) and have been accepted by the industry as reasonable. SSE Airtricity is of the view that the figure of 3,200 kWh would be in the lower usage scale the Typical Domestic Consumption Value (TDCV) and that the determination of the appropriate number requires further consideration, in particular whether a

mean or median figure of typical consumption is best to apply. Where a mean value is used then this represents the average consumption of all customers in a given market. Where a median value is used, it represents the level of consumption of most customers in a given market. This is an important distinction, as the use of a mean figure will illustrate consumption figures that show outliers at both ends of the scale i.e. customers with atypical low or high consumption figures.

SSE Airtricity's internal analysis on our customer profile indicates that a Standard 24Hr Single Rate Meter in Northern Ireland would typically use 4,180 kWh¹ using a mean approach, and 3,832 kWh using a median approach. This is higher than the UR's calculation, but we do note that this is based on a representative sample of the SSE Airtricity customer base. In our view, additional analysis on the robustness of the typical figures is required and such analysis should be conducted by the Distribution Network Operator (DNO)² as part of next steps. We propose that the DNO present their analysis to industry once this has been completed at an appropriate industry forum.

SSE Airtricity believes that the addition of the Estimated Annual Bill, within the drafting of the Annex I of this consultation, is of benefit. However, we propose that a step by step calculation or methodology is also inserted into the code for clarity and to ensure that all suppliers adopt a consistent and uniform approach. This will facilitate a consistent approach across other channels that offer tariff information to customers, for example, CCNI. We feel this information should also be made readily available for the consumer, so they are able to calculate any Estimated Annual Bill with ease³.

This may be best accompanied by a description or footnote of the estimate that makes clear to the consumer what it is, what it can be used for, and any assumptions that have been made in its calculation.

At this stage in the drafting of the annex, we don't believe that the existing wording behind "*charges applicable to the tariff (shown individually including the relevant unit rate, VAT, and any other relevant charges)*" is entirely clear and may cause mis-interpretation of what is deemed relevant. There is a possibility that suppliers could interpret this guidance in differing ways which would lead to consumer harm.

¹ Average based on a sample of 90,000 meters with an MCC Code of N001/T011.

² Ofgem adopted this approach when reviewing TDCV's for 24 hr and Economy 7 within [2020](#).

³ We provide the calculation used in the Irish market based on unit rate, PSO and Carbon Tax, for [reference](#).

It is important that all charges relating to an offer or promotion are transparent and understandable by the customer. Furthermore, we feel the expression of such charges needs to be clearly defined on marketing material, for example, if VAT and any other relevant charges are to be demonstrated in a format of pence or reflected as a percentage.

The consultation paper states that the Estimated Annual Bill is proposed to be used in any form of marketing material by suppliers. SSE Airtricity would welcome further engagement on what the UR constitute as marketing material, with a focus specifically on the level of detail that is appropriate for various mediums.

For example, the dynamic nature of digital marketing and social media advertising may lend itself to a more flexible presentation of the proposed requirements around the Estimated Annual Bill. Where marketing is conducted using Google AdWords or click through links, then consumer comprehension will need to be considered as well to ensure that the marketing remains impactful for customers.

In conclusion, we broadly support the use of an Estimated Annual Bill and the annex drafting within the domestic Marketing Code of Practice, with the caveat that additional consideration needs to be given to the appropriate consumption figures and a uniform approach across industry that realises benefits to customers in being able to accurately compare offers.

As a Supplier with considerable experience having implemented a similar approach in the Republic of Ireland, SSE Airtricity are happy to provide additional detail on any of the points above and remain available to discuss any aspect of our response with the Utility Regulator in this regard.