Article 14 notice on licence modifications – TPI Information

UR Consultation

SSE Response

SSE welcomes the Utility Regulator's work to understand the scale and nature of TPI operations in Northern Ireland and to assess whether regulatory intervention is required to protect non-domestic consumers. Following the UR's engagement with industry and publication of its Position Paper, SSE agrees that proportionate transparency can support improved customer understanding. However, we consider that aspects of the proposed licence modification, particularly those relating to the disclosure of TPI costs at the point of sale, require further refinement to ensure the requirements are operationally deliverable, not misleading for customers, and applied consistently across the market.

SSE would also welcome a workshop or operational sessin with the UR and suppliers to align expectations on how TPI information should be presented, so that it is clear, comparable and capable of being understood by customers.

New licence obligations

The central challenge with the current drafting relates to the requirement to provide a total monetary value of TPI costs, including estimated values where necessary.

In many cases, TPI remuneration is structured as a pence per kWh basis, and/or a standing charge component. This is a known element and can be easily expressed in the format prescribed in the new licence condition.

However, where the total monetary value is also required to be provided in the principal terms, this is inherently dependent on future consumption, which is unknown at the point of sale. In practice, this creates a number of issues for suppliers to be able to comply with the licence as drafted.

Estimates may be materially inaccurate where they depend on variable customer usage, changes in portfolio composition such as the addition or removal of sites, meter inaccuracies or delayed and catch-up reads, and multi-site or complex contract structures. In these circumstances, suppliers may be required to provide "best estimates" that are not sufficiently robust, creating a risk of misleading customers, inconsistency across supplier methodologies and distorted comparisons between offers. For large or multi-site non-domestic customers, these issues are further amplified and could result in significant divergence between estimated and actual values.

We consider that this approach could undermine, rather than enhance, transparency.

Alternative proposal

To address these challenges, SSE proposes that the licence modification explicitly recognise the different forms of TPI remuneration, and tailor disclosure requirements accordingly.

Where a TPI fee is agreed as a fixed monetary amount (e.g. a single fee or defined payment), it would be appropriate and possible for the supplier to provide this information to the customer as part of the Information on Third Party Intermediary Costs as part of the principal terms.

However, where a TPI fee is incorporated into the contract through a unit rate (p/kWh) and/or a standing charge component, suppliers should not be required to estimate the total sum (expressed in GBP), at point of sale. Requiring a rolled-up monetary estimate in these cases introduces avoidable uncertainty and risk of misrepresentation. SSE has significant concerns with this requirement, particularly in scenarios requiring estimated consumption, where any estimate would be highly sensitive to assumptions, potentially inaccurate and open to challenge. There is also a risk that estimates provided by different suppliers would be calculated on different bases, making them non-comparable and creating unintended competitive distortions.

Total sum available on request

If the UR would prefer to retain the total sum of relevant costs for this type of customer contract, suppliers can provide this information on request once there is consumption data available i.e. mid or end contract.

This accurate information can be useful for a customer moving forward and can still facilitate their future negotiations with TPIs At that point, suppliers are in a much stronger position to provide accurate and verifiable information on the actual commission paid.

We therefore propose a two-tier approach for TPI contracts costs based on p/kWh or standing charges per day

1. *At point of sale disclose the basis of TPI remuneration (e.g. p/kWh, standing charge, or fixed fee). And*
2. *End of contract / on request provide the actual monetary amount paid, where this can be calculated.*

This approach would improve accuracy, reduce the risk of misleading information, and still deliver meaningful transparency to customers.

Further consideration

If the UR considers it necessary to retain a requirement for total sum of the relevant costs at point of sale and the supplier is required to estimate the consumption it is essential that a clear, standardised methodology is prescribed, this does not need to be captured in the licence but can be further explored with industry via established workshops or further engagement with the UR policy teams. Without such guidance, suppliers and TPIs will adopt differing approaches, leading to inconsistencies, reduced comparability for customers and increased regulatory and compliance risk.

A standard methodology would be necessary to ensure fairness across suppliers, consistency of customer information; and transparency of costs.

Conclusion

SSE supports the UR's objective of improving transparency for non-domestic customers and recognises the value of ensuring customers have clear information on TPI costs. However, it is important that any new obligation is capable of being implemented consistently and does not inadvertently create customer confusion or misleading comparisons between suppliers. In SSE's view, the licence modification should distinguish between fixed TPI costs, which can be disclosed as a monetary value at the point of sale, and variable or consumption-dependent remuneration, where the p/kWh or standing charge can be disclosed upfront and the actual monetary amount provided at contract end or on request once it can be calculated accurately.

If the UR considers that estimated total costs should remain a requirement at the point of sale, SSE considers that this must be supported by a clear and standardised methodology developed with industry. This would help ensure fairness across suppliers, improve comparability for customers and reduce regulatory and compliance risk. SSE would welcome further engagement with the UR and suppliers through a workshop or operational session to refine the proposed approach and support the development of a proportionate, practical and effective final framework.