

Consultation on a New Supplier Code of Practice on Bills and Statements

SSE Airtricity Response to the Utility Regulator

7th October 2016

If you have any questions in relation to our response, please don't hesitate to contact me at
adrienne.costello@sse.com

Introduction

Thank you for giving SSE Airtricity the opportunity to comment on the Consultation on a New Supplier Code of Practice on Bills and Statements.

SSE Airtricity is the largest independent supplier operating in Ireland with over 800,000 customers served across both electricity and natural gas markets. In Northern Ireland, SSE Airtricity is in a unique position of being the largest competitor to the incumbent electricity company, while also being the incumbent gas supplier in the Greater Belfast area. SSE Airtricity is committed to the development of competition in energy markets in NI and to presenting its customers with choice and quality customer services.

We support the introduction of a billing code of practice that contains all billing related requirements in one place and we support the intentions of the Regulator in progressing changes to improve customer experience.

In this paper we respond to the questions posed by the Utility Regulator on the proposed new Code of Practice on Bills and Statements.

Key Points

SSE Airtricity welcomes the opportunity to comment on the proposed new code. We consider that it is useful to have one Code which contains all information requirements for suppliers bills/statements.

SSE Airtricity is supportive of any initiatives that simplify things for customers and even completed a major project in Great Britain (GB) on the issue of bills simplification, which has been referenced by the UR in its consultation. The SSE project in GB was based on research and the collation of real evidence on customer's perception of energy bills. The proposals in the Utility Regulator's consultation are not based on any evidence of issues in the Northern Irish market. Lack of evidence based research on the part of Ofgem was identified by the CMA in its recent investigation as an area of concern where new measures implemented had negative impacts on competition in the market. New requirements should not be implemented if it is not clear what 'problem' the new requirement is intended to resolve in the energy market and they will be beneficial for customers. Without evidence based policy making, it is difficult to justify the introduction of requirements or indeed to measure their success. We cannot understand how the Utility Regulator can justify the introduction of prescriptive requirements in its Code without undertaking any research of the Northern Ireland market.

With regard to the specific proposed requirements, we are concerned at the level of detail proposed for inclusion on the bill/statement, particularly on page one. SSE Airtricity does not believe that the proposals of the Utility Regulator would simplify things for customers or indeed are achievable. The inclusion of the additional information on page one of bills would create a cluttered bill and customers may not be able to find the most important information. SSE Airtricity is also particularly concerned with the impact that these changes would have on customer with literacy and numeracy issues. All customers should have the benefit of clearly knowing what action is required of them when they receive a bill/statement.

SSE Airtricity does not believe that the customers bill/statement is the best place to put information on the best available tariff and we are of the view that it could cause customer confusion. Notwithstanding the difficulties that would be faced in implementing this proposed requirement, SSE Airtricity believes that the most important information on a customer's bill/statement is the amount due, what action they need to take and the due date. Our bills/statements are already optimised to ensure that this information is clear to a customer so changing the function of a bill/statement to show customers information on other available tariffs would require suppliers to completely change their bill/statement structure and may 'mask' the true purpose of the bill.

The cost of introducing the changes proposed will be very significant and will pass through to customers. The proposals are not just making changes to the existing content but they would require changes to the bill / statement templates, adding significantly to the potential costs of implementation. The prospect of further changes in a few years after the Utility Regulator undertakes research on bill layout and associated information is also something we must consider. An additional point to note is that for price controlled businesses, any changes required would need to be funded by additional allowance.

Finally, suppliers need to be provided with an appropriate timeframe for implementation. The Utility Regulator states that when the decision on the Code of Practice is published, the entire code will become mandatory. This is not a realistic view to implementation especially considering the extent of the proposed changes in this consultation. SSE Airtricity does not agree with passing the costs of development of 'proposed requirements' to customers and then further costs to address any changes in the Decision.

We have responded to the specific consultation questions below. Given the concerns raised relating to implementation, SSE Airtricity would support an industry workshop on the consultation proposals before the Utility Regulator makes any decisions.

Responses to Specific Consultation Questions

Q1. Do you agree that where this consultation has an impact on the groups listed, those impacts are likely to be positive in relation to equality of opportunity for energy consumers?

SSE Airtricity is concerned at the level of detail proposed for inclusion on the bill/statement and how this will impact on customers with numerical or literacy issues. The inclusion of the additional information on page one of bills would create a cluttered bill and customers may not be able to find the most important information. All customers should have the benefit of clearly knowing what action is required of them when they receive a bill/statement but we are unclear how increasing the level of information on the bill will positively impact such customers.

SSE Airtricity would note that customers with certain disabilities may need additional assistance in terms of the format of their bills and SSE Airtricity already provides a range of options for these customers.

Q2. Do you consider that the proposals for the development of the code of practice on bills and statements need to be refined in any way to meet the equality provisions? If so, why and how? Please provide supporting information and evidence.

SSE Airtricity considers that the development of a code will meet equality provisions. The existing requirements that are in place to ensure vulnerable customers receive bills in an appropriate format are also important to ensure equality across all customers.

Q3. Do you support the development of a code of practice on bills and statements that is based on high level principles and includes specific rules where required? If not, what approach do you suggest the UR takes in order to develop a code of practice on bills and statements?

The Utility Regulator is proposing a principle based approach with specific rules. SSE Airtricity is not clear if the Regulator has fully assessed whether this is the correct approach to take and what format is required to facilitate this type of regulation in Northern Ireland. We would point to the extensive work and consultation that was, and is currently being, undertaken in GB to move from a prescriptive approach to 'principles based regulation'. The Future of Regulation is a key workstream within Ofgem currently which will examine principle based regulation. We believe that the Utility Regulator may be premature in referring to principles based regulation in this consultation and we consider that a full review of the regulatory framework should be undertaken to examine if this is right for the Northern Irish market and, if so, what format should it take.

Q4. What is your view on the proposed arrangements for the monitoring of compliance with the code of practice on bills and statements?

SSE Airtricity supports the proposal that compliance would be monitored through supplier's Annual REMM Licence Compliance Statement as is currently the case for all existing licence requirements.

Q5. Do you support the breakdown of the code of practice on bills and statements into the categories detailed above? If not, please explain why and provide an alternative breakdown.

SSE Airtricity agrees with the breakdown between domestic and non-domestic. While we understand the rationale for breaking this down further to bills and statements, the proposed Codes are almost identical (except for requirements around the location of vend information on PPM statements). We are therefore not clear why there is a necessity to have a bill Code and a statement code. We would prefer these requirements to sit in the same code with additional sections if needed.

SSE Airtricity also requests clarity around why bills for customers who pay by direct debit should be categorised within the code of practice on statements. Currently direct debit customers receive bills showing the amount due for the billing period. For SSE Airtricity, in

electricity this amount will be collected from customers' accounts 14 days after the bill issue date and the bill provides customers with advance notification. This amount is an outstanding balance for direct debit electricity customers and is not a prepaid amount so should not be categorised as a statement of information. For a number of reasons the amount due may not be successfully collected from the customer's account and may subsequently require specific action from the customer. SSE Airtricity considers that direct debit customers should fall under the code related to bills.

Q6. Are there any other aspects related to bills and statements or to the billing processes which you think should be covered under the code of practice which are not mentioned above?

We are of the view that the draft Codes contain all necessary information on the requirements for the content of bills/statements.

High Level Principles for the Code of Practice on Bills and Statements

Q7. Do you support the overarching principle that “all bills and statements are clear and easily understandable”? If not, please explain why and provide an/some alternative overarching principle (s).

SSE Airtricity fully supports this principle. Our bills and statements are currently in a format that we consider to be clear and understandable. We feel we have been successful in this regard with little or no complaints relating to bill format.

While we support this principle, we are concerned that the Utility Regulator's proposed new requirements for customer bills and statements could potentially create cluttered bills which are neither clear nor understandable. The Consultation paper proposes some new information to be included on bills/statements (for example, best available tariff, debt information), and it also proposes that a range of information would be included on page one of the bill/statement. If suppliers were required to implement these changes, we are of the view that it would not be possible for us to comply with a principle for clear, understandable bills. We would be concerned that this could potentially negatively impact on customer experience and ultimately lead to complaints. Before any decision is made on specific requirements, SSE Airtricity suggests that the Utility Regulator should conduct an evaluation of the impact of these changes on an actual bill/statement.

SSE Airtricity would also like clarity around how the Utility Regulator intends on measuring or monitoring how suppliers bills/statements meet the principle of 'clear and easily understandable' and how suppliers can ensure compliance with this principle.

Q8. With regard to domestic customers, do you agree with the use of the definition of an “average consumer” taken from the Consumer Protection from Unfair Trading Regulations 2008? If not, please explain why and provide an alternative definition.

We agree in principle with the definition of 'average consumer' given the difficulties suppliers would face in tailoring bills/statements for each specific customer. We would

however request some clarity on how the Utility Regulator intends on measuring this requirement.

SSE Airtricity considers that any new regulatory requirements or changes to the layout of bills/statements should also be based on evidence of the views of the average consumer and we would like to understand how the specific new proposals in the consultation paper were measured against the needs of an 'average customer'.

Q9. Do you support the Principle that a customer is able to find quickly and understand important information on the bill or statement. If yes, please indicate what you deem to be the most important information on a bill or statement. If no, explain why you do not support this principle.

SSE Airtricity fully supports the principle that customers should be able to quickly find and understand important information on the bill or statement. We are of the view that customers who open their bill want to see how much they owe, what action they need to take and the due date. Supporting this view, the Commission for Energy Regulation's latest Consumer Survey¹ found that of the vast majority of customers open their bills and the only piece of information they look at is the total amount due.

The principle that a customer is able to quickly find and understand information on the bill/statement is important. SSE Airtricity also supports the retention of the existing requirements for specific information to be contained on bills/statements. However, considering the Utility Regulators proposals around new requirements, we are concerned that the bill/statement will turn into a means for inundating the customer with information. This would ultimately result in customers experiencing difficulty finding the important information on their bill. For example, the Consultation proposes that page 1 of the bill/statement would contain information on:

- Customer details, inc MPRN, Tariff name & unit rate;
- Billing/statement period;
- Balance before bill/statement;
- Total charges excluding and including VAT;
- Action to be taken by customer;
- Date payment due or direct debit to be collected;
- Statement about customers having difficulty paying;
- Discount/premium that applies compared to standard rate (consultation states this is proposed for domestic bills, domestic statements and non-domestic statements. We would request clarity as to why this is required for non-domestic statements?);
- Best available tariff information;
- Customer vend information by month (domestic & non-domestic PPM only).

The Consultation also proposes that suppliers present information on debt separately to any charges in the period. SSE Airtricity is not clear if this is proposed to be presented on page 1 alongside the charges.

¹ CER, Consumer Survey 2015.

SSE Airtricity considers that the most important information for customers is the amount due, what action they have to take and bill due date. With the proposed range of information for page 1 we do not believe that customers will be able to quickly find the information they are looking for. In this context we would also be particularly concerned about customers with literacy or numerical issues. We would suggest that the Utility Regulator reviews a possible bill/statement template to see determine for themselves if this information can logically be presented.

Our bills contain information on unit rates, consumption and total charges on the front page. For certain customers, there will only be a few lines, however for others this information can already take up a lot of space. For example, day night customers have a number of different rates and some customers have standing charges. When there is a tariff change, additional lines are required which allow suppliers to split the customers consumption between the different rates in a period. Suppliers need to have enough flexibility and unallocated space on page one so that we can accurately present customers with the most important information.

SSE Airtricity also raises some serious concerns that these proposals would have on the level of innovation and the ability of suppliers to develop new structures for presenting billing information. The Utility Regulator needs to understand that as technology and customer preferences develop, suppliers may need to consider alternative methods for presenting certain information and SSE Airtricity considers that the prescriptive requirements in the Regulators consultation paper would limit the potential for any changes to be made.

Q10. Do you support the principle that “a customer will know immediately what action is required from them when reading a bill or statement”? If yes, please indicate what you deem to be the most important information on a bill or statement. If no, explain why you do not support this principle.

SSE Airtricity supports this principle. We are of the view that customers are interested in the amount due, action required and due date, and therefore our bills contain this information in a prominent location on the front page. However we note that the consultation paper contains proposals to put additional information on page one of bills with varying text sizes. As raised earlier, SSE Airtricity considers that placing a lot of information on the front page of bills may negatively impact on a customer’s ability to know immediately what action is required of them.

We believe that the only information required on the front of a bill (outside of the customers personal account information) is the consumption for the period, associated rates , total charges, payment method and bill due date. SSE Airtricity also considers that any important messages for customers, such as price changes, should also be displayed on the front page where possible.

In its Consultation, the Utility Regulator proposed that this would include if a direct debit arrangement needs to be amended. We would request further clarity on this point. The bill/statement represents details on charges due at a point in time and the next bill to a customer will be adjusted to take account of any over/ undercharge.

Q11. Do you support the principle that “bills and statements are based on accurate information and up-to-date meter reads where possible? If not, please explain why you do not support this principle.

SSE Airtricity supports this principle and notes that there are existing licence conditions in this area. Our customers are billed on actual meter reads where we have received one.

We would note that ‘*where possible*’ is an important addition given that we may not always have an actual read which aligns with a customer’s billing cycle. The use of estimates will always be a necessary element of the energy industry.

Q12. Do you agree with the principle that “domestic customers will be made aware if there are cheaper tariffs available to them”? If yes, please indicate which of the three options presented above for domestic customers is the most appropriate way of making this information available to customers (and explain the rationale for your choice)? If no, please explain why you do not support this principle.

SSE Airtricity is of the view that customers should be able to understand the offers available to them. However, for a number of reasons we do not believe that bills or statements are the best place to put information on other offers available to customers. While this is not relevant at this time for price controlled suppliers, if implemented it will require significant changes to systems of non-price controlled suppliers.

Firstly it is our view that the function of the bill/statement is to provide customers with necessary information on the amount they owe, have paid and the due date for any invoice. We consider that customers would also view their bill/statement in this manner. We believe that the Utility Regulator is proposing to expand the ‘function’ of a customer bill. However we consider that research should be undertaken to determine if additional information is required by customers. The introduction of any new information that may impact on the main purpose of a bill/statement needs to be evaluated and evidenced as required by customers before any decision is made.

There is already a large volume of information on bills and statements due to existing regulatory requirements. Much of this is numerical in nature, for example rates, discounts, VAT, charges, consumption etc. To add even more numerical information on bill or statements as proposed here will increase customer confusion particularly for customers with literacy and numeracy issues.

The options proposed are not practical and would require the development of very sophisticated IT systems. Supplier systems would have to have an ability to identify specific customers and have the intelligence to determine if we have a publicly available tariff that is cheaper than the one the customer is on. The cost of introducing this would be excessive.

SSE Airtricity would note that suppliers may not be able to make a commitment of a better offer in a customer’s bill / statement given that suppliers may have different offers available at a given time, and also because customers may value other elements of a suppliers offer

outside of price (e.g. free credit, energy information devices, loyalty points etc). Suppliers cannot determine what offer is the best for a particular customer given that: different customer's value different aspects of a product, customers may have different payment methods or signup methods, customer may be within contract and customers may have different consumption patterns. If we were to undertake this exercise, it would require a large amount of manual intervention to ensure that the 'right' offer is presented to a particular customer.

SSE Airtricity considers that the most practical option presented by the Utility Regulator is the third option where suppliers would indicate to a customer that they can contact their supplier to see if there is any better offer available. While this is the case, there are still practical issues relating to implementation of this and a high level of system intelligence would need to be developed to be able to identify if there are better offers available to a particular customer, so as not to generate increased calls from customers where they would not benefit.

The biggest barrier to implementing these is cost. The costs associated with implementing any of these proposals are likely to be significant. We have not provided detailed costs in this response but we are happy to engage further with the Utility Regulator on the issue of costs. While the least impactful option is number 3, we would still need to develop a level of intelligence in our systems and also we would need to create space on bills/statements to include information on this. Given the current structure and content of bills, we are unclear as to how we can practically do this without creating a confused looking bill and negatively impacting on customer experience.

Finally, SSE Airtricity also raises a concern in relation to the possible implications on product innovation and customer choice. We are of the view that the continuous emphasis on price alone will lead to a reduction in innovation amongst suppliers and a decrease in the number of different types of offers available in the market.

Q13. Do you support the principle that “non-domestic customers will be made aware if there are cheaper tariffs available to them”? If yes, indicate how you think this information should be presented. If no, indicate why.

SSE Airtricity's experience is that non-domestic customers are more engaged than domestic customers and are aware that they can contact their supplier to get more information on tariffs. SSE would also note that it is possible for a non-domestic customer to be offered a bespoke plan by a supplier and in addition some commercial customers go through a tendering process to get the best offer for them.

This proposal would again require a level of system sophistication in order to identify if there are cheaper publicly available tariffs available and also to pull information on the customers contract end date and any applicable exit fees. We are unclear how we could present this information to customers or even identify if there is a cheaper tariff available to a non-domestic customer. Not all non-domestic offers are publicly available because they have been tailored for particular customers and are therefore a source of competitive advantage.

SSE Airtricity suggests that suppliers could consider adding a statement informing customers that there may be a possibility to negotiate with their existing supplier at the end of their contract.

SSE Airtricity Comments on Other New Requirements in the Code

While the proposed Codes contain information on existing requirements, there are a number of new requirements. The Consultation paper did not contain any specific questions on some of these proposals so we have outlined our key points on these below.

Best available rate

We have outlined our comments in relation to the practicalities of developing a method for extracting this information and including on the bill/statement under questions 12 and 13 above. Our billing systems would require a major overhaul in order to implement these proposals. We are not clear why this is proposed and the Utility Regulator has not presented any evidence of any issues in relation to this relating to the Northern Ireland market.

SSE Airtricity is of the view that the costs of implementing any of the options presented would be excessive for any resulting benefit and we suggest that the Utility Regulator focuses on more impactful measures to increase customer engagement. We suggest that a promotional campaign led by CCNI on the options available to customers should be considered. We cannot understand why the Utility Regulator has assumed there is an issue without providing any evidence, and has proposed major changes to suppliers billing systems, the cost of which will ultimately be borne by customers, to address a non-identified issue.

Debt information

We understand the merit of the proposal to include information on debt on bills/statements. However, SSE Airtricity would like to highlight that we may face practical barriers to implementation for gas PPM statements. The information on a gas PPM customer's debt is contained on a different system to the system where the billing information is extracted. The cost of implementation would be excessive because a method for linking the two systems would be required and the intelligence built for the bill to be populated with this information.

The bill and the statement represent a snapshot of time. Information on each will relate to the billing period in question. Given variances in payment plans, it is possible that the information on debt would not align with the statement period or if aligned, it may be out of date (i.e. customer may have made a payment towards arrears after the billing period).

Page one of the bill

SSE Airtricity is supportive of any initiatives that simplify things for customers and even completed a major project in GB on the issue of bills simplification which has been referenced by the UR in its consultation. However, SSE Airtricity is concerned at the level of detail proposed for inclusion on the bill/statement, particularly on page one. SSE Airtricity does not believe that the proposals of the Utility Regulator are achievable or indeed would simplify things for customers. We have outlined our main concerns in question 9.

Font sizes

On page 28 of its consultation the UR states that it is *'not convinced that the benefit of mandating format would outweigh the costs to suppliers to alter their systems to deliver it'*. The Utility Regulator appears to contradict this statement by proposing to standardise the font size and the location of certain items on the bill/statement. This is not a 'light touch approach to standardisation' as claimed by the UR and it would create significant implementation costs.

SSE Airtricity does not understand why the Utility Regulator has suggested specific font sizes for certain information. While we currently have different font sizes for certain information, it would be costly for us to change this. We are also concerned that the introduction of specific requirements on font size and bill presentation does not allow for innovation in terms of the presentation of information to customers.

Evidence to support proposals and Proportionality

We are concerned at the lack of evidence presented in the Consultation paper to support the proposals put forward. It is our view that any new policy or direction should be based on evidence and research so that the cost of implementation and impact on customers or industry can be justified. SSE Airtricity considers that new requirements should not be implemented if it is not clear what 'problem' the new requirement is intended to resolve in the energy market and what clear benefit customers will receive. Without evidence based policy making, it is difficult to justify the introduction of requirements or indeed to measure their success. The Utility Regulator has stated itself that its own customer research has not highlighted any issue with customers understanding of their bills. The Regulator also points out in its Consultation that in the next few years that it will undertake extensive research into customer's attitudes including on billing and the way information is presented on bills and statements. We cannot understand how the Regulator can justify the introduction of prescriptive requirements in its Code of Practice in advance of the results of this research. While the Utility Regulator considers experience elsewhere as justification for the introduction of some requirements, SSE is of the view that it is too soon to judge the success of these measures and given the cost of introduction, experience elsewhere does not justify this intervention in the Northern Irish market where the market setup is different and there are not as many tariff options.

The research referenced by the Utility Regulator is of findings in other jurisdictions and may not be a reflection of the possible issues in the NI market. SSE Airtricity cannot understand

why the Utility Regulator would use these findings as a reflection of the market in Northern Ireland. There are very different regulatory requirements around the information contained in bills in different jurisdictions, with the Northern Ireland market already having very detailed requirements in comparison. In order to inform the development of requirements in Northern Ireland, research should be undertaken in that jurisdiction

SSE Airtricity is also concerned that the outcome of the customer attitudes research proposed to be undertaken in a number of years will result in further changes to supplier bills. It is an unusual approach to introduce changes without any evidence to support the changes, and only afterwards analyse customer attitudes to these changes.

We believe in evidence based policy making so that any knock on costs to customers associated with changes are justified. We consider that many of the proposed new requirements should be considered after a review of customers perceptions of bills is undertaken by the Utility Regulator. Given the low number of complaints on this, only direct customer surveys undertaken by an objective body such as the UR or CCNI might shed light on any issues customers may be facing with the current construct of bills/statements.

SSE Airtricity is of the view that there may be issues with current bills/statements or other areas related to the payment of bills that might cause customer confusion or have a negative impact on customer experience. None of these issues were identified in the Utility Regulators consultation paper. For example it could be argued that some of the information on gas bills particularly around calorific values and consumption could be confusing but there is no proposal to resolve this in the Consultation. SSE Airtricity suggests that the UR undertakes an analysis of the issues that may exist and develop proposals to address these existing issues.

Implementation timeframe

Given the significant costs to implementation which will ultimately be borne by customers, SSE Airtricity cannot commence development of any of the changes proposed until after the Utility Regulator publishes the decision and is of the view that suppliers need to be provided with an appropriate timeframe for implementation. The Utility Regulator states that when the decision on the Code of Practice is published, the entire code will become mandatory. This is not a realistic view to implementation especially considering the extent of the proposed changes in this consultation. SSE Airtricity does not agree with passing the costs for the development of solutions for 'proposed requirements' to customers and then further costs to address any changes in the Decision. SSE Airtricity has previously advised the Utility Regulator that changes to bills present some of the most significant costs of operation to its business and therefore we would need a significant timeframe for implementation to ensure that any changes can be made in the most efficient manner.

Bills/statements must be designed & formatted in consultation with the UR & CCNI.

We are not clear why this is required and we need clarity as to whether this would be an ongoing requirement for consultation with CCNI/UR on any future changes or alterations to

our bills. This could potentially impact on suppliers ability to innovate. Suppliers should be provided with the scope to innovate in terms of how bills are structured and presented to customers. Given the lack of evidence of any issues presented in the consultation, SSE cannot see why this would be necessary.

Conclusion

We again welcome the opportunity to comment on this consultation. We support the introduction of a billing code of practice that contains all billing related requirements in one place and we support the intentions of the Regulator in progressing changes to improve customer experience.

Our concerns centre on the lack of clear benefit to customers in the proposals made. In billing research consumers generally indicate the key information they need is how much is owed, what action to take and the due date. We believe the proposals made by the UR will lead to increased information being placed on bills in a way that is likely to confuse the key information desired by customers.

SSE Airtricity is also concerned at the level of costs associated with the proposals for the industry without clear research and evidence to support the need for the measures proposed. Lack of evidence based research on the part of Ofgem was identified by the CMA in its recent investigation as an area of concern where new measures implemented had negative impacts on competition in the market. Given the importance of the bill as a communication tool for customers, SSE Airtricity believes it is essential that proposals such as this one are fully researched and tested with customers prior to becoming requirements. This will ensure no wasted costs and no customer detriment.