



CODE OF PRACTICE ON ENERGY BILLS AND STATEMENTS
SECOND CONSULTATION

SSE AIRTRICITY RESPONSE TO
THE UTILITY REGULATOR

2017

INTRODUCTION

SSE Airtricity welcomes the opportunity to further comment on the Utility Regulator's (UR) second consultation on the Codes of Practice (COP) on Energy 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 continue to support the introduction of a billing code of practice that contains all billing related requirements in one place and encompasses requirements derived from evidence based customer research.

In this paper we outline further concerns with the revised COP.

GENERAL COMMENTS

SSE Airtricity welcomes the opportunity to comment on the revised version of the proposed COP. We continue to consider it beneficial for suppliers to have one code which contains all legislative and regulatory requirements. We are also supportive of many of the changes made to the original COP such as the removal of the requirement to use minimum font sizes in certain areas of the bill and the requirement to determine that the customer is on the best tariff in addition to the amalgamation of the codes for bills and statements.

However, we believe there are still areas which need further consideration as they will require changes to the bill/statement templates, adding significantly to the potential costs of implementation which will be ultimately passed through to customers. Aside from cost implications we are unclear as to the necessity of some of the requirements and how they will benefit customers. We note the research undertaken by Citizens Advice in GB which reviewed the consumer experience of energy billing from 2005-2015 and their findings in relation to requirements introduced by Ofgem. This highlighted that while individual measures had been welcomed by consumer groups, in aggregate, changes have resulted in both increasing complexity and increasing volume of information on bills, without any observable gains in consumer engagement as measured by switching rates.¹

Finally we believe that, in line with CMA recommendations, the introduction of prescriptive changes must be underpinned by evidence based customer research but this is not the approach that has been taken. We note the CMA finding to ensure that energy regulations serve customers' needs and it is vital that policy decisions are informed by robust analyses of their likely impacts. We believe that, because of the magnitude of their impact and their complexity, interventions in the energy markets will require a particularly detailed level of analysis.²

¹ Energywatch Super Complaint + 10: The Lost Decade
<https://www.citizensadvice.org.uk/Global/CitizensAdvice/essential%20services%20publications/Lost%20Decade%20Report2%20New%20Front.pdf>

² CMA final report Energy Market Investigation
<https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf>

KEY POINTS

Outlined below are our key concerns with the new code which are discussed in further detail in our response.

- We consider the front page of customers' bills to be the place where essential information is provided to customers. We are concerned that the inclusion of a lot of information on the front page of bills, as proposed, will negatively impact a customer's ability to know immediately what action is required of them.
- We welcome the changes to the statements to be included on bills. However we believe it is important to ensure that only customers who can actually achieve a cheaper tariff option are sent this information. If there is no cheaper tariff available it will unnecessarily encourage customers to call, increasing supplier costs and decreasing customer satisfaction.
- We question the necessity of the proposed inclusion of a statement of no action on a bill as we are unaware of customers been unclear on what to do when they receive a bill.
- We believe full consumer research and testing is required before introducing prescriptive requirements.
- We believe clarity is required in relation to requirement 2.1.3 of the domestic COP to inform the CCNI of significant changes to bills and statements and suggest that an industry definition and process should be agreed to govern this interaction.
- We believe that further elaboration is required in relation to the URs definition of a bill or statement as it could be misinterpreted to include areas outside of the COP.

TARIFF OPTIONS STATEMENT

'Thank you for choosing <supplier name>. We offer a range of tariff options so please check our website <website details> or speak to one of our advisors <customer number> to find out if you are on the best deal for you. You may also change your <electricity/gas> supplier. Impartial advice and information about tariffs and switching can be found at www.consumer council.org.uk'

SSE Airtricity welcomes the removal of the requirement to determine if the customer is on the best tariff available to them. This is a positive outcome

based on full engagement and understanding of the complexity of the requirement.

Whilst we recognise the intention of the proposed statement from Principle 4 outlined above, we believe that there are further practical issues to consider in relation to implementation. For instance the inclusion of the statement on all customers' bills may unnecessarily encourage certain customers to call who cannot avail of a better tariff which will increase supplier cost to serve and will lead to customer dissatisfaction and complaints. As evidence for this we have listed scenarios below where we consider this statement as not appropriate, in addition to other comments on the requirement.

Regulated Gas Tariffs

SSE Airtricity's gas supply business does not have a range of tariff options available as the prices offered for domestic customers are set by the UR through a price control process. Therefore there is only one standard unit rate available to our domestic credit and keypad meter customers along with a direct debit discount. In this respect, it would be untrue to suggest to our entire customer base that we offer a range of tariff options.

Fixed Term Contracts

SSE Airtricity is unsupportive of the inclusion of the statement on customers' bills that are currently in a fixed term contract. Our new customers will be on fixed introductory discounts and would be required to pay a termination fee if they break their contract. Similarly many of our existing customers would agree to renegotiate their contract at the end of their fixed term and would have been given fixed discounts for an extended period of time. For these reasons we are against measures to include this statement for these types of customers and direct them to call for better offers until they have received their fixed term notification letter and are free to enter into a different arrangement.

CCNI & Switching Statement

In terms of the inclusion of the statement on switching and CCNI, suppliers already have licence requirements³ in this area which are outlined in section 3.5.1 of the domestic COP. We would suggest that the final COP clarifies that

³ Please see electricity licence condition 38.7.h and gas 2.19.7.h

the inclusion of this statement satisfies these requirements and that 3.5.1 is referenced in Principle 4 in order to remove confusion for suppliers.

In addition SSE Airtricity is unsupportive of the proposal to include the statement that customers can switch suppliers on the front of the bill. We continue to be of the view that placing a lot of information on the front page may negatively impact on a customer's ability to know immediately what action is required of them. Similarly we find it inappropriate for customers to be presented with a message to switch supplier as the first thing they see when they view their bill as this is not the role of a bill nor is it the role of a supplier to encourage their customers to move away from them. While we recognise that the intention of the UR is to encourage consumer engagement with the market, we believe this should not be to the detriment of suppliers trying to compete in the market against suppliers holding dominant positions.

We believe that the only information which should be required by the UR on the front of a bill is a customer's account information, the consumption for the period, associated rates, total charges, payment method and bill due date. We discuss below further issues around the proposed information to be contained on the front page of the bill.

FRONT PAGE REQUIREMENTS

SSE Airtricity is extremely concerned by the level of detail the UR is proposing for suppliers to include on the front of domestic bills. We are also disappointed that this requirement has remained largely unchanged from the original consultation. As stated previously in our first response, based on consumer research, we are of the view that customers are most interested in the amount due, action required and due date when opening their bill. In addition we also consider that any important service messages for customers, such as price changes, should also be displayed on the front page where possible. Our bills have been developed based on these principles and contain this information in a prominent location on the front page.

SSE Airtricity is still of the view that the proposals of the UR would not simplify things for customers and are not appropriate. All customers should have the benefit of clearly knowing what action is required of them when they receive a bill/statement. We believe that the inclusion of a variety of information on the front page of bills may negatively impact on this and

create a cluttered bill which will impede customers been able to find the most important information. In addition we are also particularly concerned with the impact that these changes would have on customers with literacy and numeracy issues.

We have previously cited evidence from a CER Consumer Survey which demonstrated that the vast majority of customers open their bills and the only piece of information they look at is the total amount due. We also refer the UR to research conducted by Citizen's Advice in GB which looked at the level of requirements placed on bills by Ofgem. This found that in aggregate, changes have resulted in both increasing complexity and increasing volume of information on bills, without any observable gains in consumer engagement as measured by switching rates. We do not believe that the UR has taken this into consideration and are unclear what evidence the UR has to support the introduction of these prescriptive changes. Finally the UR needs to consider that it may not be possible to include all this information on the front of the bill for certain payment methods such as equal payment plans.

We have outlined further comments on the detail of this below.

Action to be taken by the customer

SSE Airtricity has concerns in relation to the proposed inclusion of a statement of no action on the front of a bill. We are not aware of any evidence from the industry that supports this statement.

Additionally the wording of no action required could confuse customers and ultimately lead to complaints. In terms of implementation, there would be a cost involved as we would have to build intelligence into our billing configuration to ensure that the bill displays the appropriate statement for set customers. We discuss this proposed requirement further below.

Customer's tariff information

Whilst SSE Airtricity is supportive of the proposal to include the full tariff name and unit rate on the front of the bill, we are against the proposal to include the statement that there may be cheaper tariff options available and any discount that applies to the tariff.

As outlined above we consider that placing a lot of information on the front page of bills will impede customers' ability to find the most important information. In this manner we do not consider statements that there may

be cheaper tariff options available, a switching statement and a statement to where to find impartial information on tariffs as billing information essential to customers when they open their bill. Similarly we are against including the discount that applies to the tariff when compared to our standard tariff on the front of the bill. This is present on our bills and takes up approximately 25-30% of a page. It is not possible to present this information on the front of a bill without compressing all other essential information significantly.

NO ACTION STATEMENT

SSE Airtricity has concerns in relation to the proposed inclusion of a statement of no action on the front of a bill. We have designed our bills and statements in such a manner that the action required is always clear to the customer with the total amount due, payment method and date clearly outlined. From our experience we have not received significant queries from customers that they are unclear on what they need to do when they receive a bill. Similarly the UR has stated that its customer research has not highlighted any issue with customers' understanding of their bills.

Additionally the wording of 'no action required' could confuse customers who are on direct debit and ultimately lead to complaints. As stated in our previous response, 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. These customers will still need to ensure that there are funds in the account and a statement of this nature may lead them to believe that the bill is for informational purposes only. We also believe that by expressly stating to a customer that they should not take any action on a bill, they could argue that it's the suppliers fault for a missed direct debit and should pay any associated fees with this i.e. missed direct debit fees. For these reasons we believe that this proposal may actually hinder customers knowing what to do when they receive the bill.

In terms of implementation, there would be a cost involved as we would have to build intelligence into our billing configuration to ensure that the bill displays the appropriate statement for set customers. This will add to the potential costs of implementation which will be ultimately passed through to customers. We believe proposals such as this should be fully trialled and the benefit demonstrated before requiring suppliers to incur this cost.

DEFINITION OF A BILL OR STATEMENT

SSE Airtricity believes that further elaboration is required in relation to the UR's definition of a bill or statement. The current definition which includes 'any communications' implies that letters that fall outside of the scope of bills or statements would need to adhere to these requirements. A strict interpretation of this would require suppliers to reference the COP when devising operational letters such as payment reminder letters. We propose that the definition is expanded to provide clarity as per the below.

*'For the purpose of this code, bills and statements refer to any communications with a customer **that shows how much energy they have used and** makes a request for payment, provides information about the collection of direct debit payments or informs the customer about the status of their account.'*

COMPLIANCE & REPORTING

Bills designed in consultation with UR/CCNI

SSE Airtricity requests clarity in relation to requirement 2.1.3 of the domestic COP to inform the CCNI of significant changes to bills and statements. Whilst we understand that the UR has outlined their position with respect to what's deemed significant, we are of the view that further clarity is required. We believe that an industry definition needs to be agreed as the proposal for suppliers to decide what is significant on a case-by-case basis is highly ambiguous. Additionally we believe that in order for this to be manageable an industry process should be devised with the CCNI with agreed timeframes for a response.

The absence of an agreed process and definition of what is covered could potentially disrupt commercial activity and subsequently restrict suppliers in communicating with their customers. As way of example, we have the facility on the front of our bills to inform domestic customers of short messages such as changes in tariffs or information on our services. These normally direct customers to our website for further information and may be updated on short notice. We do not believe that the design and format of these messages should have to be consulted on with the CCNI each time we make a change.

Reporting Requirements

SSE Airtricity is supportive of the proposal to amend the REMM compliance reporting template to include a place for suppliers to submit the log of changes made to bills and statements along with the annual licence compliance submission. However we believe that the detail of the reporting requirements should be provided to stakeholders for comment prior to the publication of the final decision paper. In absence of this we would be unable to provide any comment with respect to the timeframe for implementation. In addition we request clarity on the requirement for suppliers to keep a record of all changes made to their billing processes or bill/statement format as this suggests that suppliers will have to inform the UR of all changes to their own internal billing systems and processes. We believe this should only be a requirement in relation to the regulated aspects of billing, for example where the UR introduces a new measure or where a supplier chooses to change their method of achieving compliance with an existing requirement.

IMPLEMENTATION

SSE Airtricity believes it's difficult to ascertain whether we will be able to produce bills and statements which are compliant with the COP within six months of the date of the publication paper in June/July 2017. Based on its current form and our internal processes, we believe that it will take at least nine months to implement from the point of agreement of scope internally. However many of the proposals outlined may be subject to change following feedback from stakeholders. Therefore the final decision may ultimately include requirements that require a higher level of intelligence to be built into our billing systems than originally anticipated which may take further time to implement.

In terms of our regulated gas supply business, we have ongoing projects which have commenced which may impact the ability to deliver this COP. This can be discussed directly with the UR.

FUTURE CHANGES

The UR states that they plan to undertake a number of consumer research activities in 2017 to review the effectiveness of the new COP. This is

somewhat contradictory given that they are minded to give suppliers at least six months to implement the changes to the COP from the decision in June/July 2017. In addition we are concerned at the prospect of further changes to bill layout and associated information being imposed on suppliers so soon after the full implementation of the COP in 2018. SSE Airtricity supports this activity being undertaken to examine and trial the proposals set out in the COP prior to requiring suppliers to move to implementation. As set out previously, we are concerned that the benefits of a number of the proposed measures have not been proven despite the costs they will incur in implementation. We would also be concerned that new and costly requirements would be introduced and within a short timeframe require changing due to the delay in undertaking adequate research.

FURTHER CLARITY & QUERIES

In addition to the above, we have outlined below some minor queries around the text of the Codes.

Principle 2: A customer will know immediately what action is required from them when reading a bill or statement

'No action includes the following circumstances: the communication is an annual statement for a prepayment customer.'

In the above requirement 1.3.1 from the non-domestic code, it states we need to include a statement of no action for the prepayment meters customers. As per the URs minimum standards for the Code of Practice on Services for Prepayment Meter Customers, we would not consider this requirement to be applicable to Non-Domestic customers. This wasn't referenced in the original consultation and I believe it may be an editorial error.

4.1 Font – typeface, size and colour

'The supplier will choose a font size, typeface and line spacing that is easily readable for the average customer.'

In the above requirement 4.1.1 of the domestic code, it states that the font needs to be easily readable for the average customer. We would assume that this is an editorial error given that the UR states in the decision paper that they decided to remove reference to average consumers following

review of the consultation responses and the feedback. This has also been duly removed from the high level principles section of the Codes.

2.3 Frequency of bills

'The Licensee shall send a bill or statement at least once every twelve months to any consumer taking a supply of gas at premises at which the installed meter is a Prepayment Meter'⁴

In the section on frequency of bills, we do not believe it has taken in account the full requirements as outlined in the licence. For instance there is no reference to the requirement to send PPM statements annually as outlined in the above licence condition.

3.6.1 Information about the handling of complaints

We would suggest that reference is made to the fact that the address is postal in the requirement to provide the contact address of the CCNI and supplier's complaints handling department.

CONCLUSION

SSE Airtricity welcomes many of the changes made to the COP in the revised version. We support the URs intention of trying to provide information to consumers that they need so that they are better able to engage with competitive markets. However, we are concerned with the introduction of prescriptive requirements at this point prior to full consumer research being undertaken. In particular we believe the proposed level of information on the front page of bills must be reconsidered. We believe that this will require significant cost, may negatively impact a customer's ability to know immediately what action is required of them and do not believe these requirements will significantly add any benefit to consumers.

In addition we are unsupportive of the current proposal to include the statement from Principle 4 on all customers' bills as it may unnecessarily encourage customers to call and could potentially lead to complaints. We are also of the view that further clarity is required with respect to significant bill changes and believe that an industry definition needs to be agreed.

⁴ Please see electricity licence condition 38.5.c and gas 2.19.5.c