



CONSUMER PROTECTION STRATEGY REVIEW AND PROPOSED
NEW CONSUMER PROTECTION PROGRAMME 2019
CONSULTATION

SSE RESPONSE TO
THE UTILITY REGULATOR

2018

IF YOU HAVE ANY QUESTIONS IN RELATION TO OUR RESPONSE, PLEASE CONTACT
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INTRODUCTION

SSE Airtricity welcomes the opportunity to comment on the Utility Regulators (UR) Consumer Protection Strategy Review and Proposed New Consumer Protection Programme 2019 (CPP).

SSE Airtricity is the second-largest provider of energy and related services operating across Ireland with almost 740,000 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. We are committed to the development of competition in the Irish energy markets and to presenting our customers with choice and quality customer services.

SSE Airtricity recognises the importance of putting in place a consumer protection programme that supports the UR's role, adequately protects customers, considers competition and is cost effective.

GENERAL COMMENTS

SSE Airtricity welcomes the URs consultation paper and the opportunity to contribute to the formulation of the CPP.

Whilst many of the programmes have merit, we have concerns in relation to the volume and scope of the five year CPP as there does not appear to be recognition of the relationship between the cost of implementing new regulatory measures and the impact on customers' prices. The UR has already implemented various large scale consumer protection requirements over the course of the last four years which have contributed to higher standards in the industry such as the Minimum Standards for the Codes of Practice and Billing & Marketing Codes. As such we are concerned that the UR is proposing to introduce further extensive changes in the market which will contribute to additional pressure on supplier's resources; the costs of which will ultimately be borne by customers through higher tariffs. There needs to be specific evidence from the market that necessitates the introduction and prioritisation of the new projects proposed.

Many of the proposals around vulnerability are based on projects developed in GB which has stronger levels of competition and higher volumes of customers to support the programmes. Whilst we are supportive of further

practical improvements in this area, there needs to be an acknowledgement of the complexity and cost required to address some of the proposals such as the fluid definition of vulnerability. Suppliers have already invested significantly in extra measures, programmes, and initiatives to serve customers in difficulty and vulnerable customers. For instance the URs Codes of Practice Minimum Standard has already introduced a good level of protection for vulnerable customers.

In addition SSE Airtricity has introduced further practices and training related to poverty, dementia and mental health. We've worked closely with the Alzheimer Society of Ireland to discuss how we can work together to raise awareness within our business for people living with dementia, the impact on their lives and their family members. This includes continual training sessions for our agents on how to recognise the signs of dementia and to respect and understand its effect on people along with education on the impact to their families. It also provides useful tools to help communicate with people affected by this and their families. We have also engaged with Advice NI in relation to their practises on how to approach and help customers in difficulty which has informed our processes. We welcome further discussions with the UR in relation to implementing further practical improvements in these areas.

There are also difficulties in implementing regulatory changes in a smaller market such as NI, which needs to be acknowledged by the UR. These generally require higher costs per customer than in larger markets due to the smaller number of customers over which costs can be spread and may impact on the URs affordability objective. The 2016 CMA investigation in GB also acknowledged that the measures introduced in the GB market may have been overly prescriptive and directly impacted competition and benefits being provided to consumers.

Moreover, it is unclear whether the impact of the costs of these measures has been emphasised to stakeholders such as consumer sectors represented at the recent Consumer Summit. This factor would likely influence the projects consumers determine as having merit for inclusion in the CPP. Going forward we would suggest that the cost of implementing these programmes and effect on customers tariffs is emphasised in any further UR engagement conducted with customers such as in the proposed surveys that will accompany Consumer Insights Tracker (CIT) programme and the planned consumer representative bodies forum.

Finally in order to ensure that consumers are benefiting from competition, SSE Airtricity suggests that the UR prioritise projects which contribute to the development of competition and reduces costs for consumers. The rising prices for customers due to general increases in wholesales costs has been recently cited as the primary concern for customers and this should be considered in these provisions.

We have also provided responses below to the specific questions raised by the UR.

RESPONSE TO SPECIFIC QUESTIONS

Q1. DO RESPONDENTS SHARE THE VIEW OF THE UR THAT THE EQUALITY IMPACTS OF THE PROPOSED CPP ARE POSITIVE AND THEREFORE DO NOT REQUIRE A FULL SCREEN? IF YES, PLEASE PROVIDED DETAILS OF ANY EVIDENCE YOU FEEL UR SHOULD CONSIDER.

SSE Airtricity agrees with the URs assertion that the equality impacts of the proposed CPP are positive and do not require a full screen.

Q2. DO RESPONDENTS AGREE WITH THE PROPOSAL TO EXPAND THE EXISTING CPS LEADERSHIP OBJECTIVE TO BECOME LEADERSHIP AND ENGAGEMENT FOR THE REASONS SET OUT IN THIS PAPER?

SSE Airtricity is supportive of the proposal to expand the existing CPS Leadership objective to become Leadership and Engagement. However, we would suggest that further emphasis is placed on educating customers on the benefits of competition throughout the individual projects such as in the CIT.

Q3: ARE THE PROJECTS INCLUDED IN TABLES 9, 10 AND 11 THE FULL LIST OF PROJECTS THAT RESPONDENTS WANT TO SEE INCLUDED IN CPP? DO YOU AGREE WITH THE PROPOSED PRIORITISATION OF THE PROJECTS LISTED?

SSE Airtricity would suggest that the UR puts stronger emphasis on competition throughout the upcoming CPP and to include specific programmes to address competition in the market. The UR states that the

proposals outlined in the CPP consultation are informed by the recent Consumer Summit which identified affordability as by far the most important objective that should be tackled in the industry. The Summit also identified improvements in the quality of information and research on the impact and earlier education of switching as actions which would address this objective. In addition, the introduction of software that benefits consumers and facilitates switching to best offers was highlighted as an action to address the objective of innovation.

Whilst we acknowledge that the industry has made inroads at addressing some of these issues such as through the CCNI Price comparison tool, we are of the view that more work can be done in this area and suggest that specific projects are included in relation to this. For instance, improvements could be made to the current gas switching practices as the process is very manual and issues still exist for keypad meter switching. This has resulted in significant manual intervention on the part of suppliers which has contributed to higher costs and discouraged switching. Furthermore, based on the URs latest transparency reports, the incumbent electricity supplier still holds a large proportion of the domestic market share and a high percentage of switching is still happening between customers who have already switched.

Q4: ARE RESPONDENTS CONTENT WITH THE PROJECTS CONTAINED IN TABLE 11 WHICH ARE NOT CURRENTLY PRIORITISED WITHIN THE 3 YEAR TIMEFRAME OF THE CPP? AND ARE RESPONDENTS CONTENT THAT THE NEED FOR AND PRIORITY OF THESE PROJECTS WILL BE RE-EXAMINED FOLLOWING YEAR 3 OF THE CPP?

SSE Airtricity has concerns in relation to the URs proposed project to examine the potential for supplier charities such as hardship funds or fuel banks. Based on our understanding of the proposal, we believe it would be difficult to agree upon an appropriate industry mechanism for this purpose or to establish definitions for group of consumers who are experiencing difficulties which would be manageable and not open to abuse. It would also necessitate an increase in supplier's tariff costs in order to contribute to any fund. Additionally, we are of the view that any proposals in relation of hardship funding should be assessed with the NI government before consultations commence to ensure the industry has a mandate in this area and it doesn't contradict government social policy. Suppliers already have

several requirements to assist customers in need such as payment arrangements and assessing their ability pay. In addition we have many practices in place to help ensure that customers in financial hardship are supported and work under restrictions in terms of disconnections.

We are also concerned with the stated aim of the review of energy customer pathways to the best deals. This implies that suppliers would need to tailor all their offers for specific individual circumstances which would not be commercially viable and difficult and costly to implement.

Regarding the performance metrics for the proposed vulnerable customer protection measures, we welcome further discussion with the UR in this area to ensure the most appropriate way to measure the success of these types of requirements is considered and supplier's performance is measured fairly.

Q5: FURTHER TO THE PREVIOUS CONSULTATION QUESTIONS, DO RESPONDENTS HAVE ANY GENERAL COMMENTS ON THE OVERALL PROPOSED CPP? PLEASE PROVIDE EVIDENCE TO SUPPORT YOUR ANSWER.

SSE Airtricity has outlined comments below on some of the specific projects proposed for inclusion in the upcoming CPP.

Vulnerable Customers

We are concerned with the level of requirements proposed around the identification and treatment of vulnerable customers through the CPP.

As a business we place the protection of vulnerable customers at the centre of our service and are happy to evaluate proposals in this area that are practical. However there needs to be an acknowledgement of the complexity and cost required to address some of the proposals such as the fluid definition of vulnerability. Whilst we recognise that vulnerability is not necessarily a permanent characteristic, this issue should be addressed in a manner that is both manageable and cost effective. We are also unclear on the underlining reasons for some of the proposals and whether all aspects are based on evidence. Additionally these projects may contradict the affordability objective if it results in higher tariffs for customers.

We have outlined below some specific concerns in relation to the project and welcome further discussions with the UR.

- Consideration needs to be given to the complexity involved in the proposals and whether they are in fact reasonable or manageable for the industry. Any new proposals in this area also needs to be evidence based in order to ensure they are relevant as they will likely necessitate a large cost for the entire industry which will be ultimately paid for by customers through higher tariffs. As way of example the proposals imply that the existing vulnerable registers will be removed or altered significantly which would be a substantial and costly change for the industry. Any final decision should not be made until the changes required and costs involved are fully understood.
- The proposals imply that the definition of vulnerability will be broadened significantly. This may necessitate a large widening of the scope of the industry registers due to the recognition that vulnerability is not necessarily a permanent characteristic but rather a fluid state. We would caution against any unnecessary expansion in this area as there is a risk that if the definition is too broad a high proportion of householders will end up being defined as vulnerable which will be unmanageable for the industry. Whilst we're happy to discuss this further, we are of the view that the current critical care register should be restricted to customers with medical issues as they can be seriously impacted during network outages and require additional services.
- The UR needs to continue to ensure that there is clear way of sharing vulnerable customers data between networks and suppliers that can be validated and kept up to date.
- The proposals need to be thoroughly assessed against the requirements of GDPR legislation. It is unclear how some of the proposals will work at an industry level and whether the information can be shared in manner which is compliant.
- Under affordability, the project description states that it's seeking to identify the most effective pathways for consumers, particularly vulnerable consumers, to engage with the retail energy market and ensure that consumers can access the best deals available for their individual circumstances. This implies that suppliers would need to provide customers in these circumstances with specific offers which would be difficult to implement and not commercially viable.

Energy Efficiency Services Provision Review

SSE Airtricity supports the continuation of the NISEP scheme and believes that the way it is resourced should be reviewed. While this scheme is acknowledged as being effective in improving energy efficiency and reducing the cost of energy for beneficiaries, we do not believe the cost of NISEP should be levied through the Public Service Obligation which is charged on every consumer's bill. Paying for NISEP through bills has no regard to a customer's ability to pay. We welcome further discussion with the UR on this in the upcoming work stream.

Retail Market Monitoring: Consumer Insight Market Analysis

SSE Airtricity would like to highlight that further industry consultation needs to be undertaken on the Consumer Insight Market Analysis project if the UR is proposing to publish any additional REMM data. This will ensure that they are making best use of the data and the industry is represented correctly. In addition, all stakeholders involved in the collation of the data from the REMM submissions need to be provided with sufficient notice prior to the publication of any new data.

We also believe the UR should consider conducting a review of the current REMM informational reporting requirements alongside the Consumer Insight project with a view to streamlining or reducing the data that's already collected from the industry. Suppliers and Networks are currently required to submit a significant amount of data to the UR and it is unclear at this point whether it can be ever published in any meaningful manner to increase transparency, better inform customers or positively impact on policy decisions.

Examine back-billing arrangements in NI to ensure they operate fairly

SSE Airtricity is supportive of measures to protect customers against unfair bills outside of their control and view this project as a positive initiative in terms of customer protection. We would like to highlight that for this project to be a success it will need to address all relevant issues in the market. For instance, the responsibility for the charges associated with historically inaccurate bills needs to be established within any backbilling measures and referenced in the consultations accordingly. In the electricity market, NIE is responsible for installing, maintaining and reading the meter and bills suppliers accordingly for use of system charges for consumption adjustments arising from metering/estimating issues which are

subsequently passed through to the end customer by the supplier. We are of the view that the responsibility for these charges should lie with the electricity network provider in instances where they are at fault and not suppliers. This must be reflected in any backbilling proposals.

Similarly we believe the responsibility for backbilling charges should lie with the gas network provider with the exception of issues that arise with respect to meter reading and billing address inaccuracies as these relate to the supplier. It should also be noted that Suppliers or Network operators cannot be held accountable in instances where a customer actively refuses access to meter readers and does not engage to provide access.

We look forward to engaging with the UR on this initiative further through their upcoming consultation.

CONCLUSION

SSE Airtricity supports the introduction of consumer protection provisions which are necessary, evidence based and have been assessed against the level of costs required and impact on tariffs as detailed above. We also propose that stronger emphasis is placed on competition throughout the upcoming CPP and to include specific programmes to address competition issues in the market.