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### **Helping consumers make informed choices – proposed changes to rules around tariff comparability and marketing**

SSE is pleased to enclose its response to the above consultation. We have provided a response to the specific questions posed as part of the consultation within the attached annex.

We consider Ofgem's proposals in relation to knock-on impacts for the Retail Market Review's (RMR) Clearer Information tools to be a sensible first step. However, SSE is concerned that Ofgem has made little attempt to fully consider and measure the potential impact of these proposals. SSE does not believe that the consultation document contains enough detail upon which to fully understand the benefits and risks associated with Ofgem's preferred approach. The CMA's investigation identified that past interventions, such as Ofgem's Retail Market Review changes, were based on '*a priori reasoning, with little attempt systematically to test hypothesis through rigorous trials or other forms of testing before the intervention is implemented*<sup>1</sup>' and Ofgem risk adopting this approach again for the knock-on impacts for subsequent changes to RMR Clearer Information tools.

SSE remains hopeful that Ofgem intends to conduct a full and through assessment of the ongoing and historical impacts of RMR on the retail energy market. This could then be used to guide Ofgem's Future of Retail Market Regulation works-stream and potentially determine which area of the licence is next best suited for principles-based regulation. In

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<sup>1</sup> CMA's Energy Market Investigation, Page 65, Paragraph 63



particular, Ofgem should look to tackle any area where it does not believe that the proposed policy objective (or consumer outcome) is being achieved within the current framework. SSE has highlighted that potential for further innovation could be achieved in a principles-based approach to the regulation of the Tariff Information Labels and Cheapest Tariff Messaging.

SSE is broadly supportive of Ofgem's commitment towards relying on principles to regulate the retail energy market. Providing consumers with information in an innovative and engaging manner will benefit the market through more informed consumers. We agree with Ofgem that this should not be at the risk of deterring consumers through an overwhelmingly complex array of information.

However, we are concerned with Ofgem's proposals relating to the end of a fixed-term contract and allowing suppliers to roll consumers on to another fixed-term (rather than evergreen) tariff. This will lead to average increases in the price of fixed-term tariffs as suppliers attempt to mitigate the risks of consumers being able to leave a tariff without penalty. We believe this to be a significant policy proposal and must be subject to a full cost-benefit analysis and impact assessment. Whilst SSE appreciates that, at this stage, Ofgem is merely seeking views on the proposal, it is difficult for us to fully consider this without a more detailed understanding of Ofgem's requirements.

Finally, SSE strongly objects to Ofgem's proposal to extend the requirement to retain telephone sales and marketing records for two years. This requirement is unduly onerous and overly prescriptive when compared to other regulatory compliance regimes. We believe that Ofgem should be able to demonstrate how the current recording requirements have actually disadvantaged customers, and to what extent.

We have provided further details in relation to each of the points raised above within the attached annex. Please do not hesitate to get in touch should you wish to discuss any of the points raised within this response in more detail.

Kind regards

Steven Findlay

**Regulation**

## ANNEX

### CHAPTER: Two

**Question 1: (a)** *Do you agree with the proposed requirement that any calculation by a supplier of the estimated annual cost figure should be internally consistent (ie calculated in the same way by any given supplier for all tariffs and for all customers over time)?*

Yes, SSE agrees with the proposed requirement. This is consistent with the third principle requiring suppliers to ensure that domestic customers are easily able to compare and select tariffs appropriate to their needs and preferences. This will also provide suppliers with necessary flexibility upon which to present tariffs in manner that is simple to understand for consumers, particularly when taking into account added extras such as bundles and discounts.

**(b)** *Are there any circumstances in which suppliers should have the flexibility to provide an estimated annual cost figure to customers based on different assumptions or methodologies? Please explain your answer.*

The advent of smart metering will provide suppliers with a unique opportunity upon which to engage with their respective customer base. In doing so, providing an Estimated Annual Cost (EAC) is likely to be based on much more granular information than has ever been the case. Depending on the level of permission to access a particular customer's consumption data, a supplier could develop a methodology on which to provide an EAC at a half-hourly level. This potentially introduces two issues for suppliers:

1. This approach is not possible for those customers with heritage (or legacy) metering solutions; and
2. Is it appropriate for a supplier to recommend a potentially cheaper tariff on the assumption that a customer will change their consumption behaviour?

In relation to point one, those consumers with heritage metering solutions will not be providing their supplier with access to granular consumption data and, as a result, the approach for providing an EAC will need to be slightly different for those with a smart meter. Whilst improvements can be made to estimating annual consumption based on the removal of a standardised methodology and an increasingly innovative approach, the information for heritage consumers will never be as accurate or granular when compared to those on a smart meter.

In relation to point two, as a supplier will potentially have more granular data upon which to provide estimated annual consumption this information can also be used to calculate the

Cheapest Tariff Message (CTM). Using granular data based on a customer's consumption profile (i.e. at a particular time of day) will help a supplier better determine whether the customer remains on the most appropriate tariff. Based on the level of consumption detail available, a supplier might be able to recommend another tariff, such as Time-Of-Use (TOU). However, for the customer to benefit from the savings associated with a different TOU tariff, this will require a change in the customer's consumption patterns and behaviour (i.e. using a washing machine during the evening).

SSE does not consider it appropriate to recommend a tariff that requires a behavioural change without having had a detailed conversation with the customer to explain the potential benefits and drawbacks in more detail.

**Question 2:** *Do you support our proposal to require that, in the absence of a prescribed methodology, the estimated annual cost must be personalised, transparent, fair and as accurate as possible, based on reasonable assumptions and all available data?*

Yes, in order to comply with Ofgem's proposed tariff compatibility principles a supplier should be expected to be as transparent, fair and accurate as possible in providing a customer with their EAC.

**Question 3:** *Do you support our suggestion that, at the end of a fixed-term contract, consumers could be rolled onto another fixed-term (rather than evergreen) tariff, if the consumer were able to exit this tariff with no penalty and at any time?*

Ofgem's suggestion to allow suppliers to roll consumers on to another fixed-term contract<sup>2</sup> is a significant policy proposal and must be subject to a full cost-benefit analysis and impact assessment. Whilst SSE appreciates that, at this stage, Ofgem is merely seeking views on the proposal, it is difficult for us to fully consider this without a more detailed understanding of Ofgem's requirements.

From the limited information available within the consultation document, SSE does not support Ofgem's proposal. We are concerned that the introduction of this flexibility would result in a *de facto* requirement for suppliers to roll consumers on to another fixed-term tariff as opposed to the cheapest evergreen tariff available. The effect of this is likely to lead to suppliers increasing the average price of fixed-term contracts across the retail market in order to mitigate the risk of consumers being able to leave the tariff without penalty.

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<sup>2</sup> So long as it was a cheaper option and the customer was able to exit this tariff with no penalty and at any time.

When launching a fixed term tariff aimed at acquiring market share, the energy requirements for such tariffs are generally hedged against the number of customers a supplier is expecting to gain. If a consumer takes a proactive decision to sign up to a fixed-term contract, the principal terms (including length of contract and exit fees) are explained upfront and clear to the customer. It is generally accepted through various industries that a fixed term contract will incur an exit fee (mobile phone tariffs, mortgages, insurance etc). This would also be the case for any existing customer wishing to access that particular tariff.

In addition, Ofgem's proposal assumes that a customer's sole approach to selecting a tariff is based on price. SSE does not believe that this should be the single influencing factor in determining the type of fixed term tariff a consumer is rolled on to. Theoretically, SSE could launch a 1 Year Fixed Term and a 3 Year Fixed Term product in the retail market. The 3 Year Fixed Term product may contain a slightly higher standing charge and/or unit rate, but provides the certainty of a fixed price for a longer period of time. It is not inconceivable to assume that, at some point in the future, retail energy prices could begin to rise in response to increasing wholesale costs. Therefore, a larger proportion of consumers might prefer the price protection offered by a longer term fixed product. It is also possible, that at some point in the future, the average price offered through evergreen tariffs, could be cheaper overall than those on offer through fixed term tariffs<sup>3</sup>.

If Ofgem decide to proceed with this proposal, it should be entirely left to individual suppliers' discretion as to whether existing consumers are rolled on to another fixed term contract with no exit penalties, bearing in mind obligations under TCF. Particularly in the context of a rising market where consumer preferences will begin to change, something to which suppliers should have the flexibility to respond to.

**Question 4:** *Do you agree with our overall approach to managing the consequential impacts on the Clearer Information tools arising from the removal of the relevant Simpler Tariff Choices rules?*

SSE does not believe that the consultation document contains enough detail upon which to fully understand the benefits and risks associated with Ofgem's preferred approach. The CMA's investigation identified that past interventions, such as Ofgem's Retail Market Review changes, were based on *'a priori reasoning, with little attempt systematically to test hypothesis through rigorous trials or other forms of testing before the intervention is implemented'*<sup>4</sup>.

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<sup>3</sup> Particularly if wholesale prices are increasing.

<sup>4</sup> CMA's Energy Market Investigation, Page 65, Paragraph 63



Whilst SSE appreciates Ofgem taking decisive action in response to the CMA's Final Report and, in particular, the recommendation to remove the Simpler Choices rules, we believe that the knock-on impact for the Clearer Information rules should be subject to testing and small-scale trialling prior to implementation.

We also consider that there is scope for further innovation in relation to the Tariff Information Label (TIL) and CTM.

### **Tariff Information Label**

The TIL is a useful tool for customers to access all of the key information about their tariff in one place. SSE agrees with Ofgem's proposal to retain the TIL and to update it to reflect changes to the other Clearer Information tools. However, the TIL will remain relatively prescriptive in terms of format and layout and we consider there is significant scope for innovation. For example, when a customer is approaching the end of a fixed term tariff suppliers are required to provide an end of fixed term notice (EFTN). The EFTN notice contains information on the customer's options as well as providing a CTM. For each tariff presented on the CTM, as well as the customer's current tariff, a supplier is required to provide Principal Terms (in the form of a TIL) on subsequent pages. This can sometimes lead to additional four or five pages within a customer's EFTN. Relying on a more principles-based approach to regulating the TIL will allow suppliers to provide the same information in a more streamlined and engaging manner in keeping with Ofgem's tariff comparability principles.

### **Cheapest Tariff Messaging**

Ofgem states that the key outcome Ofgem and suppliers seek to achieve is allowing consumers to make informed choices by understanding which of a supplier's tariffs offers the best value to them based on their characteristics and preferences. Whilst SSE appreciates that a significant proportion of consumers identify factors relating to price as being most important, the current requirements in relation to CTM limit a supplier's ability to promote the added benefits of a particular tariff. In order to ensure that a consumer is making an informed choice based on their own preference (which could be factors other than price) we believe that there is scope of improving the presentation of the CTM on bills, annual statements and EFTN.

Considering principle number six<sup>5</sup> (as proposed by Ofgem), the CTM should be amended as it ignores consumer preferences. In addition, research into why so many consumers who

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<sup>5</sup> *'The licensee must only recommend, and must ensure that its Representatives only recommend, to a Domestic Customer products or services which are appropriate to that Domestic Customer's needs or preferences.'*

enrolled in the Which? Big Switch during 2012 but didn't follow through with the change of supplier showed that customers are less likely to switch if they are provided with two alternative cheaper prices than just one<sup>6</sup>. SSE therefore considers that further research is required into ensuring the effectiveness of CTM and whether another approach needs to be considered.

**Question 5:** *Have we identified the right benefits and risks associated with our preferred approach to managing the impacts of removing the relevant Simpler Tariff Choices rules on each of the Clearer Information tools?*

We agree with much of the risks and benefits identified within the consultation document and in particular greater and better choice for consumers. However, should Ofgem decide to press ahead with these minor amendments to the Clearer Information rules, before proceeding with further amendments these must be subject to rigorous testing and evidence-based policy decisions.

**Question 6:** *Are there any potential unintended consequences associated with our proposed approach?*

SSE has highlighted potential unintended consequences in relation to the roll-over of fixed-term contract in response to question three. These potential consequences will require a thorough review and consideration prior to any policy amendments relating to fixed-term tariffs.

In addition, it is worth considering whether Ofgem's fixed term rollover proposal has an impact on the CMA's Disengaged Database. The current definition of a 'Default Tariff' would tend to include all evergreen tariffs of which no element is fixed. Introducing a requirement whereby an automatic rollover could also reasonably be captured by the current definition could cause this to become unworkably complex as it would include all evergreen and some fixed-term tariffs under some circumstances (suppliers would also need to identify those that had proactively selected the tariff versus those who rolled on to it).

### **CHAPTER: Three**

**Question 7:** *Do you agree that our proposed policy objective is the correct one? Please explain your answer.*

Providing consumers with the correct level of information in order to engage with their supplier or the wider energy market is paramount. This will see an increasing number of

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<sup>6</sup> <http://competitionpolicy.ac.uk/documents/8158338/8194340/Big+Switch+--+Results.pdf/2e01588d-6564-4e28-b06d-233eaad389c4>

consumers becoming more confident and empowered, both of which are necessary steps in which to foster engagement. However, to aid clarity, SSE would welcome further discussion with Ofgem on what it considers to be an 'informed choice' in practice. We are concerned that Ofgem's narrow principle places a potentially disproportionate compliance requirement on suppliers through the term 'ensure'. SSE believe this should be subject to an 'all reasonable steps' test or similar requirement. It will be near impossible for a supplier to 'ensure' that a customer is on the most appropriate tariff as this will only ever be based on the information the customer has provided.

SSE also considers it reasonable to expect that a supplier is able to recommend a tariff based on the information a customer has provided and whether they have indicated a particular preference (e.g. the available cheapest tariff, a fixed product, added value through bundled products etc). In doing so, a supplier will be expected to help the customer understand and take all reasonable steps to determine (based on the information provided) that the tariff is appropriate for that particular customer's circumstances. Ofgem's outcome focuses on consumers being able to make informed choices, and whilst SSE appreciates the intent, it is not appropriate to expect a consumer to make a proactive 'choice' in all circumstances. Ofgem must therefore appreciate that suppliers will need to retain the flexibility to recommend a certain tariff.

For example, SSE will engage with a number of different consumers crossing a variety of differing backgrounds, some of which will place their trust in SSE. In this particular instance, despite having provided a customer with all of the necessary information on which to make a decision, the customer will rely on SSE to recommend an appropriate tariff for their circumstances (based on the information provided by the customer).

In relation to consumers being able to make an informed choice based on their 'characteristics' please see our response to question 1(b). Whilst SSE agrees with Ofgem's assertion that the advent of smart metering will bring about potential benefits for consumers, we are also concerned that, if not managed appropriately, this could lead to confusion for customers.

**Question 8:** *Do you consider that the proposed principles are a sensible way of achieving our policy objective? Please explain your answer.*

The principles have a direct link back to Ofgem's proposed consumer outcome. The principles are narrow enough to provide a supplier with necessary clarity and guidance in terms of ensuring compliance, but also being in a position to provide the necessary flexibility to encourage innovation in meeting the consumer outcome.



SSE acknowledges Ofgem’s intention to publish a consultation in November focussed on the ‘Operating Model’ for principles-based regulation. It is important to note that the compliance and enforcement model will be the overriding factor in ensuring consumer benefits are realised. Compliance-based enforcement is more suitable where positive consumer outcomes are to be achieved through collaborative and transparent engagement between industry and Ofgem. Effective principles-based regulation demands that there is close engagement between the Ofgem and suppliers based on mutual trust. In order for a licensee to effectively go beyond the requirements laid out in licence, the regulatory expectations, outcomes and goals must be clearly communicated by Ofgem, allowing suppliers’ to deliver the best possible consumer outcome.

In order for suppliers to confidently deliver positive outcomes, any trust gained must not be abused by either party. SSE is advocating a ‘two staged’ enforcement regime that involves structured dialogue between Ofgem and suppliers, enabling a ‘without prejudice’ exchange of views on what behaviours constitute compliance. Whilst we appreciate that Ofgem already regularly deals with minor instances of non-compliance using this approach, there is currently a lack of transparency of when this approach would be employed in practice and whether, assuming issues can be successfully dealt with through informal compliance dialogue, this might still result in formal enforcement measures.

**Question 9:** *Are there any benefits, risks or potential unintended consequences associated with the proposed principles which we have omitted? If so, what are they and how could they be mitigated?*

Ofgem note within the consultation document that there is ‘a wealth of evidence which suggests that price is the most important characteristic to an energy consumer in choosing a tariff’<sup>7</sup>. SSE does not disagree with this statement however it is important to appreciate that price is not the sole factor that drives a consumer to take action in relation to their energy tariff. Throughout the retail market suppliers will compete on a number of different metrics on which to demonstrate that they are delivering a positive consumer experience. This will include, but is not limited to, complaints, customer service, value-added bundles (such as boiler services) and other individual commitments such as the British Standard for inclusive service provision.

The key outcome that Ofgem wishes to achieve notes that consumers must be able to determine which tariff offers ‘the best value to them’. Inclusion of the phrase ‘to them’ would therefore place the onus on the supplier to interact with consumers in such a manner that provides an indication of that particular customer’s preferences and determine what is of

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<sup>7</sup> Ofgem consultation document, Page 21, Paragraph 3.14

importance to them as an individual. This will allow a supplier to tailor the consumer experience to one that is a positive experience and encourages them to continually engage in the market.

**Question 10:** *Are these principles likely to result in differential impacts across different types of suppliers (eg large vs. small or medium suppliers)? Please explain your answer.*

The nature of principles-based regulation will result in a more competitive market that increasingly drives new and innovative methods of engaging with consumers. Whilst SSE does not consider that principles are likely to result in differential impacts across different types of suppliers, we do believe that it will lead to a differing approach across the industry in terms of meeting Ofgem's consumer outcome. This will result in differing benefits for small, medium and large suppliers which, assuming everyone is focussed on meeting the policy objective (or consumer outcome), should not pose additional risks for consumers.

**Question 11:** *Do you think that we should introduce a principle about informed tariff choices?*

SSE does not believe that introducing the additional principle on informed tariff choices will lead to any additional benefits for customers over and above the six principles of a revised SLC 25.

SSE would prefer for Ofgem to focus on narrower principles with more regulatory certainty prior to implementing broader principles. This is due to the ongoing uncertainty surrounding Ofgem's proposed 'Operating Model'<sup>8</sup> as part of the Future of Retail Market Regulation work-stream. In order for suppliers to effectively operate within a principles-based framework, an element of trust between the regulator and industry is paramount for ensuring ongoing consumer benefits are realised through innovations and better delivery of service. Without a better understanding of Ofgem's 'Operating Model' and approach to guidance and engagement it will be difficult for suppliers to properly assess and implement broader principles, whereas the narrower principles provide an element of certainty and guidance within the drafting.

**Question 12:** *Do you agree that we should expand the scope of SLC 25 to apply to all sales and marketing activities? Please explain your answer.*

SSE would note that all other sales and marketing activities are already captured under various consumer protection regulations. It is worth Ofgem considering whether the

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<sup>8</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/06/the\\_future\\_of\\_retail\\_market\\_regulation\\_-\\_update\\_on\\_the\\_way\\_forward.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/06/the_future_of_retail_market_regulation_-_update_on_the_way_forward.pdf)

additional level of protection offered to consumers through extending SLC 25 is likely to bring about any additional benefit (over that already provided through legislation).

However, SSE appreciates that extending SLC 25 will provide the necessary regulatory certainty for consumers and suppliers that all sales and marketing activities are captured under the proposed principles. Much of the rationale for moving towards principles-based regulation is made on the basis that an unscrupulous supplier is not able to exploit potential gaps in consumer protection.

**Question 13:** *Do you support our proposal to extend the requirement to keep records for two years to include telephone sales and marketing? If not, please explain why, including the scope of any potential increase in costs.*

SSE strongly opposes any minimum requirement to keep records for two years to include telephone sales and marketing. Each individual supplier will have the necessary governance and assurance framework in which to provide senior management with confidence and evidence that sales and marketing is being delivered in a compliant manner with the interests of customers maintained throughout. The approach adopted for each supplier will vary massively depending on the level of comfort deemed appropriate to demonstrate compliance.

Ofgem suggest within the consultation document that *'the time lag before an issue comes to light could mean that those records would not be available as evidence to inform compliance/enforcement action by Ofgem'<sup>9</sup>*. SSE does not believe it is appropriate for Ofgem to determine that suppliers should hold on to information 'in case of enforcement'. The suggestion that suppliers should retain records for a period of up to two years would also seem overly onerous and out of proportion when compared to other regulatory requirements e.g. REMIT.

The regulatory framework for REMIT<sup>10</sup> allows Ofgem to:

- oblige any regulated person to record and retain records, including relevant communications, for a period of at least six months from the date the record was created; and
- require that these records are kept for longer, until a specified date

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<sup>9</sup> Ofgem consultation document, Page 32, Paragraph 3.67

<sup>10</sup> <https://www.ofgem.gov.uk/gas/wholesale-market/european-market/remit>

SSE would therefore suggest that Ofgem adopts a similar framework in relation to sales and marketing. The licence should contain a condition similar to that set out above. This will achieve Ofgem's stated intent of wishing to review records in the context of compliance and enforcement. Ofgem could reserve the right to issue an order on a particular supplier to retain records for a longer period of time dependant on whether Ofgem has a concern as to whether a supplier is achieving the policy objective as stated within the consultation document. In addition, requirements under Section 5A (3)(a) of the Utilities Act 2000 requires Ofgem to carry out an impact assessment on important proposals. SSE is firmly of the opinion that this is an important proposal and Ofgem should complete a full cost-benefit analysis.

***Question 14:*** *Do you agree with our rationale for not applying the requirement to keep records to include online sales? What would be the implications of extending the requirement to online sales (eg impact on PCWs, increased costs)?*

Yes, SSE agrees with Ofgem's rationale for not applying the requirement to keep records to include online sales. However, as per our response to Q13, SSE does not agree with Ofgem's overarching requirement to retain sales and marketing information for a period of two years and has suggested an alternative approach towards record keeping.

***Question 15:*** *Do you agree with our proposal to remove the prescription from SLC 25? Are there any other areas where you think prescription still needs to be retained to maintain consumer protection?*

Yes, SSE agrees with Ofgem's proposal to remove the prescription from SLC 25. We do not consider that any element of the prescription still needs to be retained to maintain consumer protection. Ofgem's proposed principles will still provide a requirement for suppliers to ensure that consumers are making informed choices and sales are carried out in a fair and appropriate manner.

However, as per SSE's response to Ofgem's consultation in December and Q4 above, without a more thorough review of the information requirements it is unlikely consumers will begin to see any real benefit through the delivery of better services and more engaging information. SSE would therefore recommend that those licence conditions requiring the provision of information during a sale are reviewed to ensure that suppliers are delivering the most pertinent information allowing customers to make informed decisions.

#### **Questions on Draft Impact Assessment**

***Question 16:*** *Do you agree with the methodology we intend to employ in our impact assessment?*

The Draft Impact Assessment makes no reference to Ofgem’s Impact Assessment Guidance and it is not entirely clear to SSE whether this has been taken into account for the purposes of this consultation. It is not immediately obvious to SSE at which ‘indicative stage’<sup>11</sup> the current Impact Assessment (IA) is at. The informed choices consultation document sets out Ofgem’s justification for action, development and articulation of the regulatory policy objectives. It also demonstrates the development of a range of options and proposals and consideration of risks, wider implications and unintended consequences (essentially Stage 1 and 2 of Ofgem’s IA Guidance).

However, it is then unclear at which stage the Draft Impact Assessment currently resides. As Ofgem has published a consultation requesting stakeholder feedback, SSE would assume that the IA is currently at Stage 5. We would welcome clarification from Ofgem to confirm where Ofgem’s IA Guidance has been taken into account for the purposes of developing the Draft Impact Assessment.

In terms of the methodology Ofgem intends to employ within the IA, whilst SSE does not disagree with those highlighted within the consultation document, it is a deviation from those within Ofgem’s own IA Guidance. We would welcome further clarification on whether Ofgem has considered the IA Guidance in the development of the Draft Impact Assessment and if updated IA will be more in line with Ofgem’s guidance.

**Question 17:** *Have we captured all expected key impacts? If not, what else should we include in our impact assessment?*

Yes, SSE agrees with the risks Ofgem has identified in relation to removal and replacement of SLC 25. In particular, the short and medium term risks associated with suppliers being able to appropriately interpret and meet the consumer outcome over a period of time. We appreciate Ofgem accepting that suppliers will need to proceed through a process of ‘trial and error’ in order to develop positive outcomes, whilst bearing in mind consumer protection during the interim period.

SSE has identified a number of additional impacts for Ofgem’s consideration:

- The requirement to retain sales calls for a period of up to two years will extend to TPIs/PCWs who are acting as a ‘representative’ of the supplier. This is likely to bear additional costs.

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<sup>11</sup> Ofgem Impact Assessment Guidance, Page 15, Paragraph 3.6

- SSE does not anticipate any savings associated with removing the TCR. The TCR is generally provided as part of a wider suite of communications that suppliers will continue to be required to provide.
- Ofgem's IA makes no reference to the proposal to allow, at the end of a fixed-term contract, rolling consumers onto another fixed-term (rather than evergreen) tariff, if the consumer were able to exit this tariff with no penalty and at any time. SSE has identified a number of potential unintended consequences in response to Q3.

**Question 18:** *What costs do you expect to incur as result of the proposed changes (both to the RMR package and to SLC 25)? Please provide a description and a range, if possible.*

SSE will follow up with Ofgem on the costs we expect to incur as a result of the proposed changes, in particular in relation to storing sales and marketing information for a period of up to two years.

**Question 19:** *What benefits (including avoided costs) do you expect to realise as result of the proposed changes? Please provide a description and a range, if possible.*

SSE agrees with the benefits highlighted within Ofgem's Draft Impact Assessment. We do not anticipate any substantial savings through avoided costs as a result of these proposals. SSE will need to maintain and monitor its governance, assurance and reporting framework to continuously deliver Ofgem's consumer outcome and monitor potential consumer risks.

#### **CHAPTER: Four**

**Question 20:** *Do you think there are any other indicators we can use to monitor the impact of changes to the RMR rules on customers?*

SSE believes the approach adopted by Ofgem would seem a proportionate response to the removal of much of the RMR Simpler Choices Tariff rules.

**Question 21:** *Are there any other sources of information we could use to provide us with an early indication of potential issues with sales and marketing activities?*

SSE does not have any additional sources of information to suggest at this time. We agree with those identified within Ofgem's consultation document. However it is important for Ofgem to maintain direct relationships with suppliers in the context of principles-based regulation. In particular, it will be the responsibility of the supplier to demonstrate why a particular policy or procedure is in keeping with positive consumer outcomes, rather than solely relying on external sources.