

## **CMA ANTICIPATED MERGER BETWEEN THE DOMESTIC RETAIL ENERGY BUSINESS OF SSE PLC AND NPOWER GROUP PLC**

In response to the CMA's Issue Statement dated 29 May, the Scottish Government would like the following response to be considered.

The Scottish Government has long called for an energy market delivering fair and transparent prices regardless of meter type and/or location. The CMA Energy Market Investigation<sup>1</sup> identified detriment within the energy market due to characteristics particular to Scotland: i) the prevalence of restricted meters and ii) the proportion of customers with the incumbent supplier. We expect any merged entity to place consumers at its centre and deliver improved outcomes for all.

The interests of SSE staff must also be safeguarded in any merger. We would like further detail of an impact assessment and welcome SSE's statement that no final decision on the implications for employees will be taken without talks with representative bodies.

### **RESTRICTED METERS**

The CMA found that restricted meters are a specific constraint that affect customers in Scotland more than the rest of Great Britain. In 2015 there were around 160,000 dynamic teleswitched meters, almost equally split between South and North Scotland<sup>2</sup>. Consumers with restricted meters have a choice of fewer suppliers and tariffs than the rest of the population, often leaving them paying higher bills. Restricted meter tariffs are generally not represented on price comparison websites which makes accessing and assessing tariff information difficult. The merged entity must improve market conditions for current and future customers regardless of meter type.

### **SWITCHING**

The CMA found that average bills were higher in North Scotland and South Wales than any other region of Great Britain. These two regions also had the highest percentage of customers with the incumbent supplier: in March 2017, 59 per cent of electricity consumers in North Scotland were with the incumbent supplier SSE. SSE has the highest proportion of non-price protected SVT customer accounts at 71% of its customer base<sup>3</sup>.

### **COMPETITION**

Analysis shows that the proposed merger would result in a dramatic increase in market concentration in North Scotland. This would make North Scotland the most highly concentrated electricity supply market in GB<sup>4</sup>. The Scottish Government is concerned about the impact that this is likely to have on current and future energy consumers in Scotland.

We call on the CMA to assess how the merger would affect consumers and competition in Scotland, to ensure that these consumers do not experience further detriment. We will continue to ensure that all energy companies, including any merged entity, do much more to treat loyal Scottish customers fairly.

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<sup>1</sup> <https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf>

<sup>2</sup>

[https://assets.publishing.service.gov.uk/media/561e1fbaed915d39bc000013/Ofgem\\_revised\\_with\\_additional\\_material.pdf](https://assets.publishing.service.gov.uk/media/561e1fbaed915d39bc000013/Ofgem_revised_with_additional_material.pdf)

<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/standard-variable-tariffs-latest-trends-september-2017>

<sup>4</sup> Cornwall Insight, 16 March 2018. Chart of the Week 78