

## **SSE RETAIL/NPOWER ANTICIPATED MERGER INQUIRY**

### **Summary of hearing with Energy Action Scotland held on 15 June 2018**

#### **Introduction**

1. Energy Action Scotland (EAS) is a fuel poverty charity in Scotland which had a network of member organisations ranging from frontline debt and energy advisors to energy suppliers.
2. EAS said it was mainly interested in the affordability of and access to fuel for customers in Scotland.

#### **Customer engagement and switching in Scotland**

3. EAS said customer disengagement affected both standard variable tariff (SVT) customers but also affected those on other types of tariff.
4. EAS told us that many energy customers supplied by SSE (especially in the north of Scotland), and similarly Scottish Power customers in southern Scotland, were under the perception that there was a link between the energy supply company and the network operator, which created a switching risk. Either access to power might be shut off or they would be unable to arrange for any supply problem to be fixed.
5. EAS said another reason that makes many customers in Scotland stay with their existing supplier is because as many as 500,000 customers are not on the 'gas grid' and rely on electric heating. Such customers are often on dynamic tele-switching tariffs, or Economy 7 tariffs, and may not consider alternatives, or they may not be aware of what tariff they are on. Many alternative suppliers do not offer these complex tariffs. The customer would also have to pay for removal of these old meters to move to a new type of metered tariff. Customers therefore ultimately decided not to make a switch.

6. EAS said SSE's customer care was rated highly in Scotland. SSE had large call centres and shops on the high street where customers could drop in, which also encouraged customers to stay with SSE. EAS thought there needed to be a high level of dissatisfaction before customers would switch, for example because of a significant customer care issue.
7. EAS gave examples showing the difficulty of getting a customer to switch. EAS' research showed that up to £300 could be saved by customers through alternative heating control and storage systems. EAS said it faced significant difficulty motivating customers to switch even after providing them with information on savings. It noted smaller suppliers will not be providing warm home discounts or similar measures which are important to vulnerable customers.
8. EAS gave an example of two suppliers, Our Power and Citrus Energy, which were not for profit organisations formed out of a combination of housing associations and local authorities. They had put significant effort into informing customers on potential savings and getting them to switch suppliers to them but had made only limited inroads.

### **Effects of the anticipated merger**

9. EAS opined that the merger would strengthen the position of SSE in the retail market.
10. EAS said customers may be disadvantaged as a result of combining the conflicting cultures of the merging parties, for example in terms of service quality in bill handling and call centres.
11. EAS said customer choice would be reduced with one less player in the market. However, this would not affect the North of Scotland where there has historically been a low number of market players willing to operate.

### **Constraints on increasing prices**

12. EAS opined that it would be very difficult for SSE to increase prices significantly beyond those of its competitors in Scotland. SSE would be publicly criticised by political bodies, including the Scottish government and committees in Scottish Parliament and politicians at Westminster. Pressure groups such as the Highlands and Islands Housing Associations Affordable Warmth and Energy Efficiency Body were also capable of publicly criticising high prices, having had done so in the past.

## **Price caps**

13. EAS opined that the price cap for prepayment protected customers in the short term, but that since it was introduced, switching between suppliers has lowered.
14. EAS said that in the long term, it was important that any price caps were not so low for vulnerable customers so as to force energy suppliers to force them to recover their costs by raising tariffs for other types of customers.
15. EAS said a better solution was to get suppliers to actively engage customers by calling them directly when the customer's term on a tariff comes to an end, informing them of their different options that could lead to savings.

## **Ofgem disengaged customer database**

16. EAS said the concept of Ofgem's database of disengaged customers being shared amongst suppliers to be able to target such customers, providing them with information on the savings that can be made, would raise concerns for customers. EAS said customers would end up with an excessive amount of mail and phone calls from different suppliers.