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200 Dunkeld Road
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The Rt Hon Greg Clark MP
Secretary of State
Department for Business, Energy and Industrial Strategy
1 Victoria Street
SW1H 0ET

6 November 2017

Dear Secretary of State,

Steps to reduce number of customers on Standard Variable Tariffs

I am writing to inform you of steps that SSE is planning to take to help reduce the number of customers on the default 'Standard Variable' tariff.

SSE has listened carefully to the public and political debate around the role of SVTs in the GB energy market. While some customers do actively choose a variable product, SVTs have clearly become unpopular and we share government's aspiration for greater customer engagement. Indeed, over the last year, SSE has continued efforts to engage with customers to encourage them to make more active choices about their tariff and services. This has included initiatives such as participation in an Ofgem-led cheapest market offer letter trial. However, we agree that there is more to do and we believe these steps will help us forge more engaged relationships with our customers.

In your recent speech at the Institute of Economic Affairs, you encouraged suppliers to unilaterally propose voluntary measures to ensure the market serves all customers. Today I can confirm that, in a significant break with current industry wide practice, and enabled by the recent rule changes announced by Ofgem, from the early part of next financial year SSE will no longer automatically roll customers onto SVTs once they have come to the end of their fixed term contracts.

Instead, SSE intends to move customers onto an equivalent or cheaper fixed-term tariff, which would fix prices for 12 months with no exit fees. This will ensure customers have security over the price they pay for their energy, while also leaving them free and able to shop around in the competitive market. As it does now, each year SSE will proactively communicate with all customers coming to the end of their fixed term tariffs to ensure they are aware of this change and to prompt them to consider which energy tariff is most suitable for their needs. This will effectively introduce an additional annual engagement prompt for these customers.

Looking further ahead, we are currently exploring the possibility of no longer selling SVTs at all unless a customer specifically requests it – though this would be subject to further discussion with Ofgem.

SSE is committed to maintaining the direction of travel away from SVTs and wants to be part of the solution, not the problem, in the energy supply market. We anticipate that these changes, along with continued efforts to engage customers with proactive communications, will accelerate the reduction in the number of SSE customers on SVTs.

Clearly these decisions cannot be made in a vacuum, however, and we also look forward to engaging with government and Ofgem during the coming weeks and months on the two proposed price caps currently being developed and consulted on. In October, switching rates were up 46% on the same time last year. It is clear that customer engagement is increasing and more customers than ever are benefiting from competition. It is vital, therefore, that any cap is set with a robust, realistic methodology that recognises the true costs associated with supplying energy reliably to large volumes of customers while leaving room for competition to be maintained.

We believe competition can deliver the best outcomes for customers in the long term and remain committed to working with your department, Ofgem and other stakeholders on driving further improvements in this regard.

Yours sincerely,



Alistair Phillips-Davies
Chief Executive, SSE

CC. Dermot Nolan, Chief Executive, Ofgem