

Lia Santis
Ofgem
9 Millbank
London
SW1P 3GE

16 December 2011

Dear Lia,

Smart grids Evaluation Framework – A smart grids forum Consultation Report.

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, combined heat and power plants, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including both residential and business users.

We fully support the development of a smart grid model for the use by the industry. We do not wish to put forward positions on how we see the smart grid operating at this point, but wants to highlight areas that may require further work and / or the assumptions that obviously need further review.

Tariffs

We would like to highlight certain issues around the DNO tariff statements within the consultation. The following areas should be taken into account:

- Not all customers may have an interface to react to price signals, as they have no IHD or other interaction with dynamic energy pricing (e.g. they have opted against having an IHD);
- If the tariff messages are compulsory, how will vulnerable customers be protected? There is a possibility that they may not understand and could lose out by not responding to signals;
- That price messages to customers will have to go via the Supplier as DNOs have no tariff registers on the meter that prices can be associated to
 - This means each message DNOs send to customers is an additional cost to the supplier
 - Suppliers and DNOs do not currently have the relevant commercial relationship to be able to do this within the SME and domestic arena. There is also currently no legal framework for this to happen, and therefore one would need to be implemented.
 - DNOs would have to pay system upgrades to Supplier billing systems to enable these changes
 - There will be additional delays in sending the message as the message will go via the DNO to Supplier to DCC then to the customer

- The Supplier will have to manage the customer relationship around tariffs and deal with the impacts of the DNO pricing message
 - The complexity of the price signal to the customer on top of the supplier price signals would be high
- As noted in the consultation, suppliers do try to shape demand for a reason (in relation to wholesale prices). DNOs altering this will have a cost impact, including balancing issues and possibly security of supply at generation level.

Direct customer impacts

The consultation focuses on network actions to support the low carbon infrastructure, at a minimum cost and maintaining security of supply. However, it does not take into account the extent of the impact that some of these actions will have directly on the customer.

Whilst the source of the actions that could impact the customer negatively in the immediate term (e.g. price signals or load control) is at the disposal of the Network Operator, suppliers will have to manage any negative customer reaction. The actions that the Supplier would have to take, such as increasing Customer Service contacts does not seem to be acknowledged within the consultation.

I can confirm that this letter may be published on Ofgem's website.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact my colleague Andrew Jones on 07875 119072, or myself.

Yours sincerely,

A handwritten signature in blue ink, reading "Paul Delamare".

Paul Delamare
Head of Regulation