

Ofgem
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Canary Wharf
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Email to: RetailFinancialResilience@ofgem.gov.uk

19 July 2022

Dear Ofgem,

Statutory Consultation: Credit Balances – Strengthening existing Direct Debit Rules

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewables, including onshore, offshore wind and solar generation, and energy storage. With around six million electricity and gas customer accounts, including residential and business users, EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

EDF welcomes and supports the opportunity to provide feedback to Ofgem on strengthening existing Direct Debit rules. EDF fully supports the policy intent of ensuring the license wording does not allow suppliers to accrue excessive credit balances and that this was not the original intent of the licence wording. At EDF we are continuously looking for ways to improve and enhance our direct debit process for the benefit of customers. The maturity of our processes is reflected in the feedback from the recent Direct Debit Compliance Review where Ofgem confirmed that they had 'not identified any material gaps or weaknesses in our processes'.

We have outlined below an alternative approach to that outlined in this Statutory Consultation which would deliver Ofgem's policy intent more effectively.

Views on the Policy Intent

We would welcome changes to the current direct debit rules if they would clearly benefit customers and prevent suppliers from accruing excessive credit balances through their direct debit schemes. However, Ofgem's proposed changes to the SLC would not benefit customers and would lead to a requirement that could lead to suppliers being forced to try and operationalise unachievable standards.

Due to the above **EDF does NOT support the proposed changes.** These do not provide a proportionate balance between ensuring suppliers do not use their direct debit schemes to artificially inflate credit balance levels while providing suppliers with the flexibility to operationalise direct debit schemes which meet customers' expectations. We outline below an alternative approach which will deliver Ofgem's policy intent whilst supporting suppliers in providing customers with a positive customer journey.

Ofgem should not make changes that will negatively impact the approach taken by suppliers who responsibly manage customer direct debits and credit balances. If Ofgem had undertaken a policy consultation on these changes and provided suppliers with an opportunity to provide their views prior to a statutory consultation being published, then this would have led to such issues being better considered.

In the recent (RFI) *direct debit payments: request for information*, submitted to Ofgem in May 2022, we stated EDFs direct debit policy objective is designed to give the outcome that all customers are close to zero balance at the end of each 12-month direct debit scheme period by:

- Using the most recently received and validated meter reading to calculate consumption
- Prompting the customer and providing them with multiple channels to provide self-reads as well as using Smart and field readings
- In the absence of a recent meter reading we will calculate consumption on historical usage
- We will use announced future price change information as well as taking into account fixed tariffs coming to an end in the period being calculated.

In this document, we advised of several reasons why a balance needs to be struck between using the best and most recent information available to set direct debit monthly payment amounts balanced with a customer's desire to keep payments as stable as feasible without a risk they will result in large credit or debit balance and ensure unnecessary changes to direct debit payments are minimised.

Views on Proposed Changes

Proposing to remove the two key sentences in the current license condition that provide flexibility to suppliers could require suppliers to update direct debit levels whenever any new information becomes available. This could lead to inefficient supplier processes and poor customer outcomes with direct debit levels constantly being updated and this being communicated to customers (often for minor changes in payment levels).

Such an absolute supplier licence obligation cannot be operationalised by suppliers in a manner which will also ensure a positive customer journey.

Our alternative proposal to meet the policy intent

The policy intent outlined above could be better met by replacing the first line in the licence condition with the following sentence (rather than simply removing it):

- *The licensee must ensure that at the end of the 12-month direct debit scheme period, customers have paid for the energy they used, with minimal credit or debit balance remaining.*

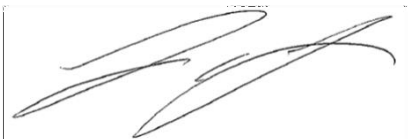
In Ofgem's recent Direct Debit Compliance Review Ofgem confirmed that they had 'not identified any material gaps or weaknesses at this time that give us cause for concern' in our direct debit processes. Therefore, we are concerned that these proposals could result in compliant suppliers such as ourselves having to amend these processes. If this were to happen then the proposed changes are likely to introduce confusion for customers where direct debits are changed more frequently with the advent of new information.

We are always exploring how we can continuously improve our customers experience and develop our direct debit processes and are keen to work with Ofgem on this by sharing our experience.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Richard Jelliss, or myself. EDF would welcome a discussion with you on our view and alternative proposal to meet your policy intent.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Mason', enclosed in a thin black rectangular border.

John Mason
Senior Manager - Existing regulatory framework and net zero