

Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Sent via email to: FWP@Ofgem.gov.uk

3 February 2023

To Whom It May Concern,

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 and offshore wind, 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.

We welcome the opportunity to comment on Ofgem's Forward Work Programme (FWP) for 2023-24. We have set out below our high-level thoughts and key points in relation to the short and long-term priorities identified by Ofgem in its draft FWP:

Short Term Priorities

1. Ensuring prices are fair

We support Ofgem's four priority areas of work. As part of its considerations of each, we would encourage Ofgem to ensure it is thinking about questions of fairness and sustainability, in addition to cost. Ofgem must also ensure it considers the wider market and system implications of its decisions under this priority to ensure that it properly accounts for trade-offs between different stakeholders, including suppliers.

We remain committed to working with Ofgem on the evolution of the existing price regulation frameworks, and in particular to ensure customers in vulnerable circumstances are appropriately protected, including the recently announced Market Compliance Review (MCR) on prepayment meters.

2. Creating resilience across the energy sector

Across the energy system, we need a regulatory environment that encourages investment in the sector, minimises the risk of failure and encourages customer-centric solutions and low carbon offers. In particular, we welcome Ofgem considering how it could drive improved liquidity in the wholesale power market, to ensure market participants can meet

their requirements and those of their customers, and to enable effective management of risk.

We support Ofgem's plans to create a resilient and reformed retail market that can better withstand market shocks. We would, however, also urge Ofgem to better prioritise reforms that could drive greater retail market investment. Current retail returns, administration burdens and the risk exposure to market volatility require immediate action and present real barriers to attracting new investment.

3. Setting, monitoring and enforcing quality standards

EDF welcomes Ofgem's focus on setting, monitoring, and enforcing quality standards. To this end, it is essential that Ofgem has the necessary resources to undertake its priority projects and to manage its workload. With this in mind, we would also welcome Ofgem setting out how it intends to address increased demand for its resources while delivering a consistently high-quality approach across the various work areas.

Long term priorities

1. Facilitating infrastructure investment

We welcome the recognition of the importance of investing in infrastructure that will support a low-carbon future. We are committed to supporting the adaptations to the energy market that will make low carbon energy more accessible and cost-effective for consumers.

We strongly support the need for Ofgem to unlock strategic transmission investment to address the unacceptably high transmission constraint costs and tackle the significant delays in connecting low-carbon generation. We further support the Government's target of 50GW of offshore wind, and believe it is crucial that the investment is made in onshore transmission networks to support both offshore and onshore low-carbon generation connections this decade. As part of this, we also support Ofgem's focus on the reform of network charging, to enable time-critical investment in infrastructure. This should be a key priority for this year, to support long-term siting decisions of low-carbon generation, through improved predictability of the Transmission Network Use of System (TNUoS) costs.

We agree with Ofgem that the development of the Nuclear Regulated Asset Base (RAB) economic regime is an important priority for the upcoming year. Following the Government's Investment Decision on 30th November 2022 on Sizewell C, and the expected final investment decision in due course, it is essential that Ofgem has sufficient resources to successfully develop and implement this new regime.

2. Developing and delivering market reforms

EDF is committed to working with Ofgem to develop an energy system that is more flexible for customers and enables them to shift their demand and expand low-carbon technologies and energy efficiency measures.

3. Reforming governance arrangements

It is essential that the Future System Operator (FSO) is set up successfully to support the energy systems decarbonisation. For this to be achieved, Ofgem has the responsibility of providing necessary regulations and licences to aid the implementation process. It is essential that the implementation is managed carefully to reduce any possible risks or distractions to the power system during the transformation.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact me directly.

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

Yours sincerely

A handwritten signature in black ink that reads "R. Beresford". The signature is written in a cursive, flowing style.

Rebecca Beresford