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26<sup>th</sup> July 2023

Dear Luke,

### **Statutory Consultation on the Inflexible Offers Licence Condition**

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.

We welcome the opportunity to respond to Ofgem's statutory consultation on the Inflexible Offers Licence Condition. We continue to agree with the intent of the proposed intervention which is to prohibit generators from participating in the combination of behaviours and practices that led to the extremely high balancing costs in winter 2021.

The introduction of a licence condition is likely to lead to better outcomes for consumers through lower balancing costs and may also encourage lower carbon flexibility providers and demand response.

We note Ofgem has made changes to its proposals following responses to its February 2023 consultation. The key points we wish to highlight are set out below:

- We welcome the reinstatement of the 'within the operational day' requirement; there was a risk of unintended consequences that has now been avoided.
- We continue to support Ofgem's proposal to limit the scope of the condition to generators with an MZT greater than 60 mins. We would like to reiterate again that given the pace of technological change it will be important for Ofgem to review this threshold regularly and ensure the licence condition evolves to support flexible assets.
- We welcome the changes Ofgem has introduced which sets out the further steps Ofgem will consider whether an excessive benefit has been obtained. We also welcome the additional clarification on the definition of reasonable profit.

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- Finally, we welcome Ofgem's statement that it expects the ESO to ensure that its systems do not provide barriers to market participation and to provide accurate forecasts with (at least) continuous incremental improvements to forecasting accuracy.

Should you have any queries or wish to discuss our response, please contact me or Natasha Ranatunga at [Natasha.Ranatunga@edfenergy.com](mailto:Natasha.Ranatunga@edfenergy.com).

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Mark Cox".

Mark Cox  
Head of Nuclear & Wholesale Policy and Regulation