

Andrew Milligan
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Email : css@ofgem.gov.uk

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Dear Andrew

Reviewing the Consolidated Segmental Statements - Initial Proposals

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 renewable generation, including onshore, offshore wind and solar generation, and energy storage. We have 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 the opportunity to provide comments on Ofgem's initial proposals to revise the licence obligation in relation to the submission of Consolidated Segmental Statements (CSS). A review of the CSS is well overdue, and we remain generally supportive of these initial proposals. The energy industry has changed radically since the CSS were introduced and the original policy objectives that led to the introduction of the CSS obligation no longer remain valid. Current requirements, which only obligate a vertically integrated supplier with more than 250,000 domestic or non-domestic customers, are clearly out of date in today's market.

While generally supportive of the proposals, we retain our previous position that Ofgem should limit the scope of the CSS to supplier activities only and remove the requirement for any supplier to report on their generation activities. We continue to see no evidence that Ofgem has used the generation data provided in any policy development or generation market review work and as such Ofgem has failed to justify why generation reporting in its current form is needed. The current proposals would not provide Ofgem or wider stakeholders with information on a representative proportion of the generation market. As such, Ofgem would not get meaningful information on profits from the generation market and to do so would need to consult separately to capture a greater number of licensed generators, which will lead to duplication and unnecessary regulatory burden.

Furthermore, there have been several market investigations, including by the CMA, which have concluded that vertical integration does not lead to less transparency in supply revenues and

profits. We are therefore opposed to Ofgem's proposed requirements for maintaining the vertical integration element of the reporting requirements.

In addition, EDF do not support the proposal to include an additional column for reporting 'other' activities separate where this would extend the requirement to activities not included within the retail license. EDF's view is that the range of activities reported on should not be extended from what it is currently.

Our response to the specific questions set out in the call for input can be found in the appendix to this letter.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Steven Eyre or myself. I can confirm that this letter may be published on Ofgem's website.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Mason', with a stylized flourish at the end.

John Mason
Senior Manager (Price Regulation and Market Dynamics)

Appendix
Reviewing the Consolidated Segmental Statements - Initial Proposals

1. What are your views on proposal to expand the market coverage of the CSS?

We are fully supportive of Ofgem broadening the scope of retail suppliers covered by the CSS to provide the greatest transparency of supplier finances to Ofgem, and to ensure that the reporting requirements are fair and continue to be fit for purpose in an evolving market.

2. Do you have any other thoughts on the CSS?

As set out in the covering letter, we disagree with the continuation of reporting requirements for generation activities of integrated players. We continue to see no evidence that Ofgem has used the generation data provided in any policy development or generation market review work and as such Ofgem has failed to justify why generation reporting in its current form is needed. The current proposals would not provide Ofgem or wider stakeholders with information on a representative proportion of the generation market. As such, Ofgem would not get meaningful information on profits from the generation market and would need to consult separately to capture a greater number of licensed generators, which will lead to duplication and unnecessary regulatory burden.

On this basis, if Ofgem continues to require reporting of generation activities it is essential that any obligation is fair and should therefore include all generation activities of licensees irrespective of whether they are, or not, affiliated to a licensed retail supplier.

3. Do you agree with our consideration that the current proposal will not impose significant costs upon newly obligated suppliers? If you consider otherwise, then please let us know and provide any supporting evidence.

No. We do not consider that Ofgem's proposals will impose significant costs on newly obligated suppliers.

4. What are your thoughts on our proposal to publish a list of obligated suppliers to our website in December each year?

In the event that Ofgem proceed with thresholds for determining who is within scope of the obligation, clarity on who will be required to submit and publish segmental statements is welcome.

5. Do you agree with our proposal remove the requirement for suppliers to be vertically integrated suppliers to submit a CSS?

Yes, we agree with extending the scope of the requirement to capture the majority of all non-integrated suppliers. It is important that the regulator has visibility of the financial status of

all kinds of market participants and business models, both individually and collectively, including to assess the impact of its own policy implementation on suppliers and the market in general.

6. Do you agree with the proposal to lower thresholds for the domestic and nondomestic market?

We remain unconvinced of the need for any threshold and support the obligation to submit a CSS to apply, in the absence of any robust justifiable reason, to ideally all suppliers irrespective of size. This would provide Ofgem with full visibility of the whole market and all business models that are supplying energy to consumers.

In the event that Ofgem continues to believe a threshold is fully justified, any minimum threshold should be set at the lowest possible level to enable Ofgem to have visibility of the range of suppliers and business models that are operating in our market. On this basis, we accept that reducing the customer number threshold for domestic suppliers to 50,000 meter points would be a positive policy change. Similarly, we accept that capturing 90% of both the I&C and SME sectors is also a positive change.

7. What are your views on our proposal not to request additional financial information?

We were previously opposed to Ofgem's earlier proposals for the inclusion of more granular financial information in respect of the domestic market and so support Ofgem's revised thinking in this regard. Any additional insight that Ofgem deems is proportionate and appropriate, can be achieved through Ofgem's financial monitoring provisions and targeted RFIs.

8. What are your thoughts on our proposal to include an additional column for reporting 'other' activities separate to the supply or generation business?

EDF do not support the proposal to include an additional column for reporting 'other' activities separate where this would extend the requirement to activities not included within the retail license. However, as there is no further clarity on the definition of 'other activities' it is not currently clear on how far this extends beyond regulated activities, if at all. For clarity, EDF's view is that the range of activities reported on should not be extended from what it is currently.

Given there are no other additional reporting requirements over and above this new addition, we assume that there are no other planned changes to the reporting templates. However, early clarity on this would be welcome in order to allow suppliers to progress with their plans to meet the CSS obligation.

9. What are your thoughts on our proposal not to include a transition period for the first year of reporting now that the additional financial information and the audit requirement have been removed?

We do not see the need for a transition period. Early notice by Ofgem on the extended coverage of the obligation without significant additional financial information being sought should avoid the need for any transition period and allow a fair and equal application of these requirements to apply as soon as possible.

We note that Ofgem is currently working to a plan to introduce these revisions to the CCS obligation by March 2024. However, if there are any delays in implementing these changes, Ofgem should deprioritise the existing obligations for current obligated parties until such time as these revisions are introduced and thereby ensure that existing obligated parties would not be required to report under the existing obligation.

10. Do you agree with our proposal to remove the audit requirement and instead propose the CSS must reconcile back to statutory accounts?

We accept Ofgem's proposal to remove the annual audit requirement for suppliers due to the potential effort and costs for suppliers. However, even with Ofgem's proposal for suppliers to reconcile the CSS against their main statutory accounts, the removal of the audit will increase the risk of inconsistencies across suppliers and reduce any comparability of the data. Therefore, Ofgem must actively interrogate suppliers reporting to ensure that it is robust and comparable across the sector.

11. Do you agree with the proposal that Ofgem retains the right to request an audit where there may be cause for concern?

Yes. We agree that Ofgem retains the right to request an audit where there may be cause for concern.

EDF September 2023