

Rachel Fletcher
Head of Retail Markets
Ofgem
9 Millbank
London
SW1P 3GE



11 August 2006

Dear Rachel

Metering Price Control Review

We are pleased to respond to Ofgem's June 2006 consultation paper. I can confirm that this response can be placed on Ofgem's website.

We are pleased that Ofgem is proposing that the price controls for electricity meter operations and for the provision of new and replacement meters should be removed, along with the obligation on DNOs to supply meters, from the end of March 2007.

This is another important milestone in the development of competition in the UK's energy markets. Ofgem is to be congratulated for putting in place measures that have enabled this development to take place.

Our answers to Ofgem's specific questions are set out in the attachment to this letter.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'D. Linford'.

Denis Linford
Director of Regulation

Attachment

Metering Price Control Review

EDF Energy's responses to specific questions

Gas Metering Price Controls

Question 1: Is it necessary to review the price controls on gas meters prior to conclusion of the Competition Act investigation?

No, we know of no compelling reason to do so.

Question 2: Is it necessary to reset the level of the cap on gas PPM meters prior to conclusion of the investigation?

No, the results of such a review will depend on the outcome of the Competition Act investigation.

Review of the Electricity Metering Market

Question 1: Have we identified the key characteristics and dynamics of the electricity metering market?

Yes.

Question 2: Have we identified the key developments in the electricity metering market over recent years?

Yes. However, we note that much of the progress reported is accounted for by the British Gas tenders.

Question 3: Have we identified the factors which determine whether suppliers use the market to meet their electricity metering needs?

In general, we believe so. We are particularly pleased to see that Ofgem recognises the impact of high cost to serve regions such as London.

Question 4: Have we made a fair assessment of the prospects for further development of the electricity metering market?

Yes.

Recommendations for Electricity Metering Price Controls

Question 1: Should the electricity meter price caps be allowed to fall away on 31 March 2007 in respect of meter operations and the provision of new and replacement meters?

Yes.

Question 2: Should price controls on legacy electricity meters be maintained at least until 2010?

Yes. However, the controls on existing meters should be lifted should a significant sale take place such that a DNO is no longer dominant in respect of the Meter Asset Provision (MAP) market. In addition, to encourage the development of metering competition through the sale of DNO 'legacy meters', Ofgem should lift the need for regulatory consent (i.e. by removing meters from the scope of distribution SLC29 – disposal of Relevant Assets).

Question 3: Are the concerns over potential issues for small and/or out of area electricity suppliers valid?

No. It is not Ofgem's role to artificially preserve economies of scale. In any case, the erosion of a DNO's market share reduces the economies of scale available to it and would inevitably lead to costs exceeding the price cap. Such an outcome would not be consistent with Ofgem's duty to have regard to the ability of licensees to finance their activities.

Question 4: If so, would a non-discrimination obligation on suppliers be an appropriate response to those concerns?

No. Such an obligation is unnecessary as suppliers are adequately protected already by competition legislation. We would strongly object to such a proposal.

EDF Energy
11 August 2006