

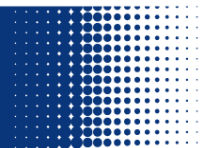


EDF ENERGY

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28th November 2008



❖ What does RPI indexation deliver?



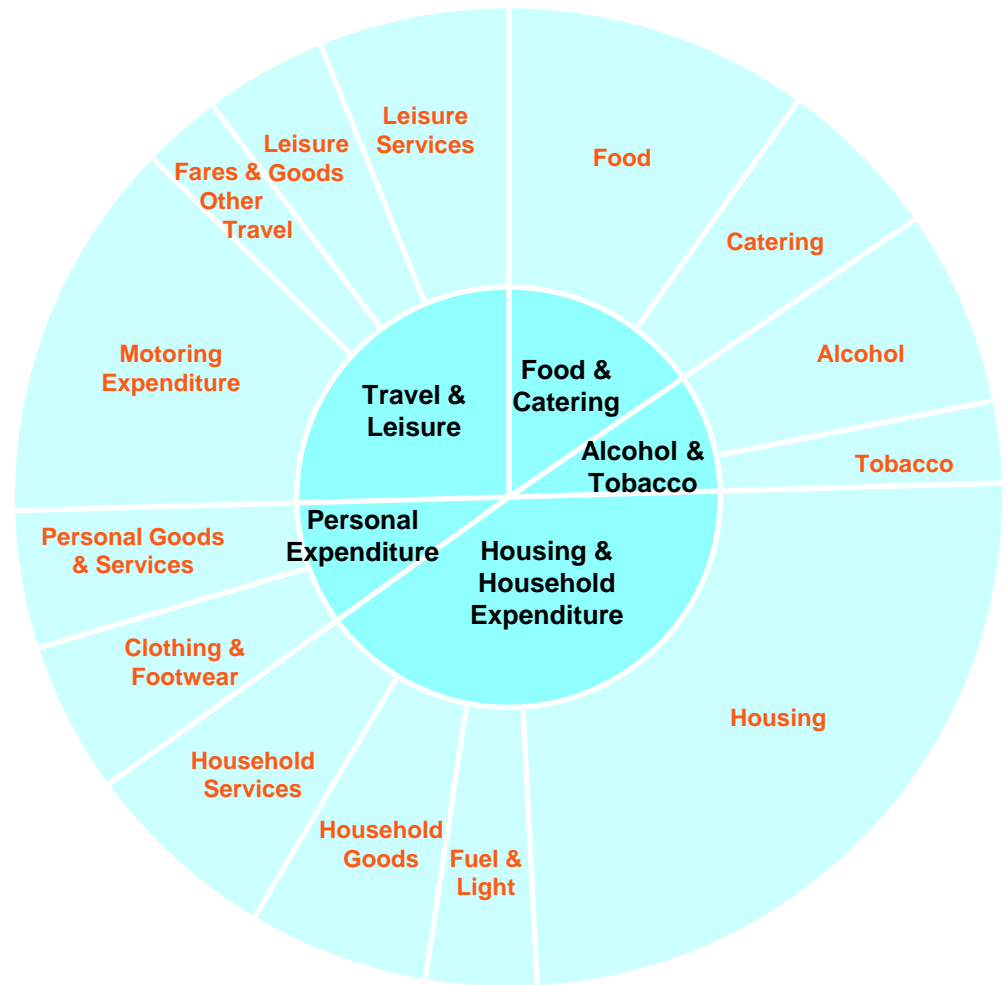
- Worked well for the first 10 years delivering Opex savings
- A clear link to the main Network Operator cost of people
- Is it reflective of the cost of materials?
 - Global markets for oil, steel and copper
- Are the right drivers there for investment?

❖ What do we need for our customers?

- Security of supply
 - Network Operator performance through appropriate incentives
 - Mechanism to lead future investment vs. optimising the use of existing assets
- Costs
 - Stability rather than volatility
 - Transparency (mechanism, process & calculations)
 - Predictability (no surprises)
 - Complexity vs. simplicity
- Low Carbon solutions
 - Smart metering
 - Demand side management

❖ Are there better alternatives to RPI?

- RPI seems fine for basic financing and employment costs, but...
- Why do we not use the full year RPI?
- What do we want to happen if RPI becomes negative?
- Could we have an energy industry basket that is more relevant?
- Should we have different indices?



RPI, the 2008 basket of goods and services
Data source: Office for National Statistics