

28 August 2009

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Chief Executive

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Dear Alistair,

Thank you for your letter dated 4 August.

Over the past two and a half years (February 2007 to July 2009), the price of wholesale electricity and gas has risen considerably and is now 40% higher than in February 2007. In the same period our average dual fuel bill has increased by only 19%, including two price reductions this year. This is due to our hedging strategy effectively smoothing out most of the market price volatility.

We welcome Ofgem's quarterly report and recent update on household energy bills, but do not believe there is a clear message regarding future wholesale cost movements that can be communicated to customers. As we have seen from the volatility of the last few years, it is impossible to know how the wholesale market will move in the future. However, our pricing and hedging strategies will continue to support competitive prices.

We will of course continue to promote the benefits of energy reduction through energy efficiency measures and give customers advice on the right energy deal to suit their needs. As you will have noted from the recent review of CERT, we have delivered more of our target than any other supplier during the first year of the scheme. We are also keen to deliver wider initiatives to reduce the demand for energy within the UK and are currently working on a number of new projects.

We would welcome your support in highlighting the importance of energy efficiency actions and choice of energy deal in the next wholesale/retail report.

Kind regards
Paul Golby