

Rachel Fletcher
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Office of Gas and Electricity Markets
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22 January 2010

Dear Rachel

Annual stakeholder report on electricity distribution

EDF Energy welcomes the opportunity to respond to Ofgem's 17th December 2009 letter on the above subject. This response is on behalf of all of EDF Energy's businesses, including our three licensed distribution companies: EDF Energy Networks (EPN) plc, EDF Energy Networks (LPN) plc and EDF Energy Networks (SPN) plc. I can confirm that this response can be published on Ofgem's website.

First of all, we would like to congratulate Ofgem on the positive steps taken during the DPCR5 process to increase the focus upon stakeholder and customer requirements. The setting up of Ofgem's Consumers First panel and the increased incentive focus in DPCR5 on customer satisfaction are both significant improvements that will encourage DNOs to be more responsive to customer requirements – something which aligns closely with core business objectives. We see the proposed annual stakeholder report as a further important milestone on this journey.

We agree with Ofgem that there is a large (and increasing) quantity of data which DNOs are being asked to provide for the DPCR5 period, and much of this information would not appear to be directly relevant to the stakeholder community. It is important that the information targeted at stakeholders should be as succinct, relevant and accessible as possible.

Ofgem has identified most of the areas of stakeholder interest in its letter. However, we are surprised that Ofgem believes that there is a need to publish DNO actual spend against detailed individual cost allowances. We believe that it would be more appropriate for DNOs to just report against Ofgem's overall aggregate cost baselines of Network Investment and Network Operating Costs.

EDF Energy also considers that the stakeholder report should align closely to the incentive package contained within the DPCR5 proposals – after all, these incentives influence what DNOs are expected to deliver to stakeholders. We are therefore surprised to see that Ofgem has not included in its initial draft requirements measures to cover the following incentives:

- Provision of information to distributed generation,
- Areas of Outstanding Natural Beauty, and
- The innovation Funding Incentive.

Although, we recognise that these tend to be the mechanisms with relatively small incentive values, we think that the scope of DPCR5 annual stakeholder report should reflect the complete range of incentives in place.

EDF Energy particularly welcomes Ofgem's proposal to include the broad measure of customer satisfaction in the annual report. However, a single overall aggregate performance measure in this area would not be very informative. As a minimum we believe that DNOs should be asked to report against the three individual components:

- customer satisfaction survey,
- complaints metric, and
- DNO stakeholder engagement.

With regard to the latter element, we would also urge Ofgem to build on the lessons learnt from the DPCR5 stakeholder engagement process, in particular the need for strong alignment between the business planning process with work on customer willingness to pay. For example, it was unfortunate that the timing of the customer willingness to pay survey on improving network resilience meant that it could not be built into DNOs planning process for DPCR5.

We also believe that further consideration should be given to ensuring alignment between the DNOs stakeholder engagement processes and Ofgem's annual stakeholder report and engagement process. We recognise that the broad measure of customer satisfaction does not come into effect until 2012-13, however, DNOs are already being asked to build and trial processes around stakeholder engagement without an understanding of Ofgem's wider thinking or framework.

We hope you find this letter useful and constructive. Please do not hesitate to contact me on 07875 112317 if you have any queries.

Yours sincerely

Paul Delamare
Programme Director, DPCR5