

Meghna Tewari
Senior Economist, Markets
Ofgem
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14 May 2010

Dear Meghna,

Consultation: Supply Licence Condition 23 - Period for notifying unilateral contract variations and related matters.

I refer to the consultation issued by Emma Kelso, dated 31 March, which invites views on the proposed amendments to Standard Licence Condition 23 (SLC 23) around amending the period permitted for notifying customers of unilateral variations to their contract.

We responded to the open letter that Ofgem published in February 2009, seeking views on whether the 65 working day notification period in SLC 23 should be revised. This letter proposed similar options to those included in Ofgem's open letter of 31 March 2010. We also commented on proposed changes to SLC 23 in our response to Ofgem's Energy Supply Probe – proposed retail market remedies dated 29 May 2009. We agreed with Ofgem's proposal to retain the 65 working day period but to strengthen the notification of the right to switch and avoid the application of the retrospective change. Following the Energy Supply Probe, Ofgem amended SLC 23 with effect from 18 January 2010, and increased the period for customers to notify their supplier that they wish to switch.

We do not believe that poor notification practices have developed among suppliers nor that suppliers have not clearly notified customers of their right to switch and avoid the increase.

The notification of the variation at 65 working days is a 'worst case scenario' and in reality we do notify customers of a unilateral change much sooner than 65 working days. At the time of a unilateral contract change we implement a rolling mail schedule to notify our customer base in order to stagger the resulting contact from customers into our call centre, thereby reducing a delay in connection to an agent resulting from an increase in call traffic.

We still believe that the current provisions of SLC 23 together with other industry arrangements in place provide sufficient customer protection for notifying customers of any unilateral contract variation and do not adversely affect customers' interests. In our experience the timing of a price increase notification is not a primary driver for customers when deciding whether or not to change supplier.

We do recognise that there is a need to build customer trust in the energy industry, which is a very valid reason for considering Ofgem's proposal of providing advance notification of a unilateral change in contract terms. The energy industry overall generally has very low customer satisfaction ratings and we believe that advance notification, in line with other industries such as banking, credit cards, insurance and mobile phone provision, would go some way to building consumer confidence, and consequently may improve satisfaction ratings. We consider that this is the option customers would prefer and would, therefore, support Ofgem's proposal to implement advance notification of unilateral variations for suppliers.

However, there will be significant operational impact from implementing the proposed change, which Ofgem needs to take into account and consult on further prior to deciding an implementation date for any revisions to SLC 23. EDF Energy introduced internal system and process changes following the introduction of the change to a 65 working days notification period in SLC 23 following completion of Ofgem's Supply Licence review. For us to implement advance notification of unilateral contract changes or even to return to a 10 day notice period would necessitate further system and process changes at a time when we are already introducing significant IT and process change in our business.

Should you wish to discuss any of the issues raised in our response or have any queries please contact my colleague Ann Neate on 01273 428464, email ann.neate@edfenergy.com, or myself.

Yours sincerely,

A handwritten signature in black ink, appearing to read "D. Linford".

Denis Linford
Corporate Policy and Regulation Director