

Andy Burgess
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Ofgem
9 Millbank
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E-mail to: lia.santis@ofgem.gov.uk

Dear Andy,

Consultation on Ofgem's Approach to assessing Stakeholder Engagement and Guidance Notes (Reference 24/12)

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, combined heat and power plants, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy welcomes the opportunity to respond to this consultation, the key points of our response are:

- stakeholder engagement should be a two way exchange, including additional information to help with the prediction of future costs
- DNO's should provide clear evidence of a deep level of engagement and that it is used in management decision making processes
- a competitive approach to the awarding of incentive payments may help identification of best practice
- the relationship between customers, suppliers and DNOs is likely to become more complex with the introduction of smart metering and smart networks so it will be important for all parties to work closely together

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact my colleague Simon Vicary on 0203 126 2168, or myself on 020 7752 2187.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in blue ink, reading "Paul Delamare".

Paul Delamare
Head of Downstream Policy and Regulation

Attachment

Consultation on Ofgem's Approach to assessing Stakeholder Engagement and Guidance Notes (Reference 24/12)

EDF Energy's response to your questions

Question 1: What other approaches to providing assurance should be considered appropriate?

a. Whether evidence submitted by DNOs should be subject to a common evaluation or independent audit administered by Ofgem.

b. Whether there is a case for proposing a common assurance approach across all companies - for example a common accreditation standard or survey.

Assurance that DNOs have fully engaged with all of their stakeholders requires clear evidence. One way to deliver this is through the publication of stakeholder engagement results so that issues raised are recorded along with the reasons for their acceptance or rejection.

Stakeholder engagement should be a two way exchange and we would like to see evidence of additional information being provided to help with the prediction of future distribution costs.

Question 2: Your views on our approach to allocating the financial reward.

a. Do you think this is a fair and proportionate approach?

b. Can you suggest any other approaches and why do you think they are appropriate?

The approach seems fair and proportionate.

One alternative is to add a competitive approach to the awarding of incentive payments which may help with the identification of best practice.

Question 3: Factors the panel should take into account for the assessment of outcomes of engagement.

Evidence should be provided to demonstrate how stakeholder engagement is used in DNO management decision making processes.

The relationship between customers, suppliers and DNOs is likely to become more complex with the introduction of smart metering and smart networks. As a result it will be important for all parties to work closely together to develop a clear understanding of shared customer ownership and changing customer behaviour.

Question 4: Any additional information or ideas on how the DNOs should be assessed for the purposes of this incentive.

In addition to evidence to support our answer to Question 3 the DNOs should be providing evidence that they are learning from their stakeholder engagement.

Question 5: Whether this approach to assessment should be applied to stakeholder engagement incentive schemes in other industries, i.e. Gas Distribution, Gas or Electricity Transmission.

Yes, this approach to assessment should be applied to stakeholder engagement incentive schemes in the Gas Distribution, Gas and Electricity Transmission industries.

Question 6: Any concerns or further suggestions about our proposals.

None.

**EDF Energy
April 2012**