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Dear Stefan

Ofgem's Improving Reporting Transparency of Large Energy Suppliers – Consultation published 13 July 2012

The consultation sets out Ofgem's final proposals and, at the same time, sets two questions, which suggests that further proposals are to follow. Whichever is the case, we remain concerned that the current drafting of the Guidance will result in segmental reports that will be unhelpful to customers and, more probably, misleading to readers, including Ofgem.

In relation to the two questions posed in the consultation, we are comfortable in presenting the information as Ofgem describes. However, the drafting of Annex 2 of the Guidance still does not accommodate all of the situations that E.ON's Relevant Licensees will have to report against. This means that for E.ON to comply with the requirements of Annex 2, the completed table would not be a helpful reflection of E.ON's operations. Indeed, we fear that it would be misleading to all readers, including Ofgem, and damaging to trust between customers and E.ON.

There are two main factors why the drafting of Annex 2 creates this problem,

1, The rules surrounding how Annex 2's table has to be completed.

The Guidance states that,

"Not included in CSS" should include entries if neither the Generation nor Supply Segments as reported in the CSS are responsible for a particular function, but that function is undertaken by the Relevant Licensee or an Affiliate. If a function is not undertaken then no entry should be recorded.

Within E.ON, different Relevant Licensees have different arrangements and within a particular Relevant Licensee the arrangements can be different for different types of plant. Consequently, where a small amount of a particular

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function listed on Annex 2's table is carried out in either generation or supply, their boxes in the table have to be ticked and the "Not included in CSS" box has to remain blank, even though the bulk of the function could take place outside of generation and supply. For example, responsibility for the scheduling decisions associated with most of E.ON's large conventional generation plant is by an Affiliate and therefore not included in CSS. However, responsibility for scheduling decisions for other generation plant is within the generation business and thus covered by CSS. Thus, the "Generation" box has to be ticked and the "Not included in CSS" box left blank, even though the highest volume of generation is scheduled by an Affiliate.

A redesigning of Annex 2's table by Ofgem, with the help of the companies that will have to complete the table, could resolve this problem. We would be happy to help with this.

2. Vagueness of the business function titles and descriptions

The titles of the business functions in Annex 2's table are not sufficiently clear as to what the actual activity is that has to be allocated to one of the table's three categories. For a number of the table's business functions, as currently described, both generation and supply could be involved. However, with the table's current descriptions and titles of the business functions, Affiliates could also carry out some of the activities. Much greater clarity is needed as to which parts of the table's business functions are to be allocated and why particular business functions need to be allocated.

The vagueness will also inevitably lead to different interpretations of what the table's business function titles are asking for. This will result in inconsistency between the different segmental reports published.

This vagueness of the table's business function descriptions and titles could easily be resolved if Ofgem worked with the companies that will have to complete the table, so as to secure a common understanding. Again, we would be happy to help with this.

We recognise that the Authority may modify, in whole or in part, the Guidelines following consultation with the Relevant Licensees and that this can be done at any time. However, unless the current problems are resolved before the revised licence condition is brought into force, Annex 2 will be detrimental to customers and Ofgem gaining a better understanding of how the Relevant Licensees conduct their businesses. There will also be a further year of inconsistency between the different published segmental reports.

In the interests of customers, Ofgem and the Relevant Licensees, we ask that you consider our concerns and take up our offer of helping to resolve the problems with Annex 2 before the revised licence condition comes into force.

Yours sincerely

Ian Jackson