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10 August 2012

Dear Stefan,

Improving Reporting Transparency of Large Suppliers

Thank you for giving us the opportunity to respond to Ofgem's 13 July 2012 consultation paper.

We remain committed to the development of segmental reporting as the best way for stakeholders to gain a robust understanding of suppliers' performance. In particular, we regard the segmental accounts as superior to any approach which relies on modelling estimated costs.

We set out our concerns in respect of recommendation 2 in our March 2012 response. In particular:

- We did not see how an independent opinion would differ from the existing audit arrangements (and if the "audit" is to be carried out to a different standard, then what would this standard be?)
- We believed that published segmental accounts would have an uncertain status until such an opinion was obtained – and this is unhelpful at a time suppliers' are working hard to build consumer trust.

The proposal will also result in companies incurring costs. Such costs will be in addition to those incurred by Ofgem in procuring the opinion from the "auditor" concerned. We have seen little justification for these costs in Ofgem's consultations, and as a result question whether the proposal is consistent with Ofgem's better regulation objectives.

Our views on the two questions raised in the paper are as follows:

Question 1: Do respondents agree with our proposal to require reconciliation to only revenues and profits, but not costs, published in Group accounts?

We agree with this proposal, though we note that reconciliation to revenues could give rise to additional complexity in the form of a note showing the treatment of inter-segmental revenues. From this perspective, reconciliation to profits only would be simpler for some stakeholders to understand.

Question 2: Do respondents agree that companies should describe how Feed in Tariff costs and Renewable Obligation costs are allocated across segments?

We agree that this would aid comparability.

We hope that you find this response useful. Please do not hesitate to contact me should you require any more information.

Kind regards

A handwritten signature in blue ink that reads "Paul Delamare".

Paul Delamare
Head of Downstream Policy and Regulation