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Draft Forward Work Programme 2014-15

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, 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 agrees with the general approach and objectives that Ofgem has set out in its proposed work programme, which clearly highlights the variety of challenges faced by the industry. Given the heavy workload, we recognise the importance of Ofgem having sufficient resources to effectively tackle projects in an efficient manner.

We also look for further support from Ofgem in continuing to rebuild consumer trust in the industry. Transparency of prices and profits in the energy sector forms a significant part of the trust agenda. We therefore believe that Ofgem should have a role in providing a trusted, clear and consistent narrative on the way the complex energy sector operates and the cost drivers that are reflected in consumer energy prices. In this regard, we welcome the planned re-launch of the supply market indicators to more accurately reflect the segmental statements and supplier costs.

Competition Assessment

Notwithstanding the above, it is important that Ofgem acknowledges the need for its forward work programme to be flexible in order that it can adapt to significant market challenges that may occur during the work programme period. For example, following the current State of the Market Assessment being undertaken by Ofgem, OFT and the CMA it is possible that the energy sector may become subject to a full competition inquiry. A competition inquiry would likely have a significant impact on the availability of resources from both the industry and Ofgem to develop the projects set out in the work programme. Furthermore, it is possible that the range of regulatory framework developments anticipated by Ofgem's programme is not consistent with the CMA's views on the energy sector.

Consequently, the clear interrelationship between such an inquiry and Ofgem's work programme would need to be duly considered in order to reduce regulatory risk and avoid unnecessary costs being borne by the industry and ultimately consumers.

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Affordability

In the context of increasing cost trends throughout the supply chain, affordability is a key challenge for all stakeholders. EDF Energy continues to look at a number of ways to bear down on rising costs for customers and is working closely with policy-makers to find ways to keep bills as low as possible. We acknowledge that a key strand of Ofgem's energy policy is to deliver an affordable energy system. In keeping with this policy, we fully support Ofgem's role in ensuring that the prices consumers pay represents value for money, including for example, through the setting of revenue controls and incentives for energy companies that are consistent with the affordability agenda.

Smart Metering

We believe there remains a continued need for Ofgem to work closer with DECC in ensuring that that regulatory design for smart meter roll-out delivers the most cost effective solution for consumers. Furthermore, it is vital that Ofgem and the industry continue to work together to improve consumer engagement as actively engaged consumers are vital for the success of the smart metering programme and for reducing the overall delivery costs.

REMIT

It is important that Ofgem adopts a collaborative approach to implementing REMIT, both with the FCA to avoid duplication of regulation, information requests and consultations, but also with market participants to ensure that all participants affected by REMIT are aware of and understand their obligations, and to understand Ofgem's thinking on and application of REMIT.

Enforcement Review

We note that the forward programme includes the conclusion of Ofgem's Enforcement Review. We believe it is important that this review is concluded in a timely manner in order to reduce any regulatory uncertainty that arises from the introduction of a number of significant new regulatory initiatives, such as the RMR standards of conduct for suppliers, powers to enforce REMIT, and the ability to compel regulated business to provide consumer redress.

E-serve

We acknowledge the ongoing challenge of supporting the delivery of a wide range of Government programmes. Nevertheless, we note again this year there is a significant proposed increase (£6.5M) in Ofgem E-Serve's budget for the next plan period. We believe greater clarity should be provided on the reasons for the continued increases including the agreement with Government on resources for any additional expenditure requirements. We would also welcome a review of the structure of E-Serve in relation to its role in administering such schemes as opposed to the core regulatory activities of Ofgem. Such a review would focus on how greater separation can be achieved and explore potential opportunities for delivering efficiency savings in the administration of environmental programmes.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Steven Eyre on 01452 653741, or myself. I confirm that this letter may be published on Ofgem's website.

Yours sincerely,

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

Paul Delamare
Head of Downstream Policy and Regulation