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8 May 2014

Stakeholder Engagement Incentive reward consultation

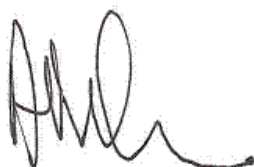
EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including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

We support Option C, Ofgem's minded to position. A requirement to meet a certain threshold level should incentivise network companies to better engage with stakeholders. We do not support a scheme that rewards network companies, and importantly costs consumers, for poor or weak performance.

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 Mari Toda on 07875 116520, or me.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mark Cox'.

Mark Cox
Head of Transmission and Trading Arrangements

Attachment

Stakeholder Engagement Incentive reward consultation

EDF Energy's response to your questions

Q1. Do you consider that companies should meet a threshold level of performance before they are entitled to receive a reward? If so, what should the threshold score be and why?

Yes, network companies should meet a threshold level of performance before they are entitled to receive a reward.

The Stakeholder Engagement Incentive is intended to encourage network companies to engage effectively with a wide range of stakeholders and use this to inform how they run their businesses. While we recognise that only those that pass Ofgem's minimum criteria are assessed by the Panel, we believe poor performers should not be rewarded. A requirement to meet a certain threshold level should incentivise network companies to better engage with stakeholders.

If the threshold score is the minimum overall panel score required for a licensee to earn a financial reward for their stakeholder engagement activities and on the panel scorecard, any score below five is described as 'weak', (a score of five is described as 'average', a score of six or seven is described as 'fair', a score of eight is described as 'good' and a score of nine or above is described as 'excellent') then any score below a five should not be rewarded.

It would be challenging to explain to consumers that network companies have an incentive scheme that rewards weak performers.

Q2. Do you consider that companies should be able to receive their maximum reward for performance above a specified level? If so, what should the maximum reward score be and why?

Yes. If a score of nine or above is described as 'excellent' then those that achieve a score above nine should be rewarded the maximum reward. Since the scores can be subjective (some panel members may be reluctant to score ten), we believe those who achieve a nine should qualify for the maximum reward.

Q3. What should the incentive rate be between the threshold score and the maximum reward score?

A straight line incentive rate between the threshold and maximum reward score as outlined in the consultation seems sensible.

**EDF Energy
May 2014**