



Jemma Baker
Retail Market Policy
Ofgem
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Email to: retailmarket.review@ofgem.gov.uk

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Dear Jemma

Domestic Retail Market Review Evaluation – a proposed way forward

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 fully supports the Retail Market Review (RMR)'s objectives to make the market simple, clear and fair for customers. We welcome the development by Ofgem of a framework for monitoring and evaluating the success of RMR to provide a strong evidence base for future policy development.

We broadly support the three thematic areas outlined and the proposed approach to the research. However, we feel that some of the challenges in terms of setting a clear baseline and isolating activities from the wider externalities of the market and other policy interventions have been underestimated.

We do not believe that it will be sufficient to measure the success of RMR from a 2014 baseline. RMR's development and implementation has been an iterative process over a period of some years. Ofgem should look to use some of its earlier research, as well as existing reliable datasets from other trusted organisations such as Consumer Futures, to make a more robust baseline for comparison of progress on consumer engagement with the market. It will take time for consumers to become familiar with new measures and communications, and, as a result, improvements in understanding and engagement are likely to be evolutionary. We have tracked our customer satisfaction for a number of years with independent research and would be happy to share relevant components of this with Ofgem.

For some of the key improvement areas under RMR, our customers have already seen significant changes. For instance, our Better Bill initiative brought much improved clarity to the bill format, which we saw reflected in our tracking data. Therefore, any data collection starting from 2014 would be unlikely to see further significant positive change. We also question whether the analysis will be split between suppliers or if it will be indicative of

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the market as a whole. As we have described, EDF Energy was an early mover and put in place measures such as simpler tariffs and clearer bills ahead of the RMR. Tracking improvement from a 2014 baseline will therefore have even less relevance or notable impact in this regard.

The challenges of media impact and negative stories on the energy market will significantly affect the outcomes of RMR and consumer engagement. With the competition assessment and the build up to the general election, the narrative and focus on the energy market is likely to only intensify. The influence of negative media messaging, and its potential to cancel out, or significantly reduce, the positive impacts of policy interventions and initiatives, should not be underestimated. This is something that we've followed closely in our own research, where media sentiment trackers have been applied to separate out the impacts for a more reliable assessment. We would urge Ofgem to adopt a similar approach and again, would be happy to discuss our work in this area.

While the evaluation methodology as presented looks broadly sound, success and accuracy of its execution will largely be dependent upon the questions asked of consumers. We cannot comment on this without access to the details of the research methodology. The open letter states that the consumer survey is in its final stages of development. We would welcome Ofgem sharing this with stakeholders for input.

It would also be helpful to have a clearer sense of the timescales for the evaluation and monitoring and of how the results will feed through to policy development or improvements ahead of the planned review by 2017. The letter references potential unintended consequences if the measures do not work as intended. We would like to know what the process might be for Ofgem replacing elements of policy, if evidence shows that these are not helping consumers. For example, EDF Energy has had concerns for some time that the TCR has the potential to mislead consumers, as it is only accurate at one level of consumption and introduces a different figure for consumers to compare to those that will feature in the calculations displayed on the bill. To help transparency, EDF Energy plans to provide a factual description of the TCR in our customer communications. We have consistently advocated unit rate pricing as a much easier way for consumers to compare prices and would welcome a change in policy to introduce this instead of the TCR. We do not believe Ofgem should wait until 2017 to address policy areas that are clearly identified early within the evaluation process as not meeting their stated aims and/or acting in the interests of consumers.

Finally, we would welcome further clarity on how the results of the monitoring and evaluation of RMR will feed into the competition assessment, which is due to report at the end of March/early April. From the description of the timescales in the letter for RMR evaluation, the framework will be finalised in the summer, and the first input will be into the annual review of the market in 2015. This does not seem to align with the broader competition assessment and the need for evidence on consumer engagement.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Claire Antill on 0207 752 2194, 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