



Bart Schoonbaert
Ofgem Consumer Policy
9 Millbank
London
SW1P 3GE

14 February 2014

Dear Bart

Consumer Empowerment and Protection in Smarter Markets

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 welcome the opportunity to respond to this consultation. EDF Energy has, and will continue to support Ofgem and DECC with shaping policy that ensures consumers are afforded appropriate protections, which creates an environment where customers are able to trust and freely engage with energy suppliers. It is vital that all stakeholders 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.

EDF Energy supports the proposed work plan as set out in the consultation, but we have made some recommendations in certain areas. We firmly believe that it is right to ensure that measures are put in place to protect consumers' interests, but we would urge Ofgem to ensure that such protections are not so prescriptive so as to inadvertently stifle innovation.

We would also highlight that there will be many players in the smart market and Ofgem should ensure that customers have appropriate protection in place against actions from all participants, including third party intermediaries.

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 Ashley Pocock on 01342 413838, or myself.

I confirm that this letter and its attachment 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

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Attachment

Consumer Empowerment and Protection in Smarter Markets

EDF Energy's response to your questions

CHAPTER: Two

Q1: Do you agree with our proposed approach to micro-businesses?

We agree that all customer groups should be both empowered and protected in the smart new world.

It would appear appropriate to extend many of the focus areas set out by Ofgem to both domestic and micro-business customers, but we agree with Ofgem that not all future regulatory arrangements for domestic consumers will be applicable or relevant for micro businesses. We would need further detail from Ofgem before committing any further to support for specific areas, particularly in relation to Phases 2 & 3.

We agree that micro-businesses should not be included in the RMR for Time of Use focus area, as this part of the RMR provisions does not apply to non domestic customers.

CHAPTER: Three

Q2: Do you agree with the focus areas we identified?

Prepayment

We agree that prepayment is an important area that Ofgem should focus attention on. It is expected that this is a payment method which will grow in popularity during the roll-out of smart meters due to the additional flexibility and functionality that will be provided (i.e. ability to 'top up' via varying channels). EDF Energy believes that the objectives for this focus area are appropriate. Establishing prepayment, or, pay as you go, as a clear, convenient and attractive proposition will ensure this payment channel represents a real choice for consumers.

As discussed in recent work on the standardisation of key industry terms, we believe the flexibility to use the term Pay as You Go (PAYG), rather than prepayment, should be permitted. As an industry we have an opportunity to rebrand this payment channel and remove some of the stigma and misconceptions that surround prepayment metering.

We would highlight to Ofgem that many of the objectives set out for prepayment are dependent on the Data Communications Company (DCC) providing reliable communication to smart meters across Great Britain.

In addition, we believe that a specific objective is required to ensure that the smart PAYG solution works with and without an In Home Display (IHD). This is required to reflect the

different Supply Licence obligations in the domestic and non domestic sectors, as well as recognising that the IHD is likely to be a time limited proposition compared to digital solutions. Developing a PAYG solution that is reliant on the IHD will increase costs for consumers and require suppliers to continue to support a function that is already looking dated (based on current designs).

Billing Accuracy & Options

Smart meters can improve customers' experiences of billing, by ensuring that their bills are based on their actual energy consumption rather than estimates. In order for suppliers to accurately bill and provide a positive customer experience a stable and reliable communications infrastructure is needed.

Suppliers continue to work in this area; and EDF Energy is committed to continuing to improve the accuracy and transparency of customers' bills.

We believe that the work Ofgem intends to carry out in this area must align with and support other relevant legislation, such as the Energy Efficiency Directive. This should also include the work that industry is already planning to undertake to improve back billing; for example reviewing Energy UK's 'Code of Practice for Accurate Bills'.

Retail Market Reform for Time of Use

We are pleased that Ofgem has identified this topic as one of the focus areas. EDF Energy is particularly encouraged that Ofgem has identified that one of the objectives must be to ensure that there are no unnecessary barriers to Time of Use (ToU) tariffs due to RMR reforms.

EDF Energy is aware that Ofgem has committed to review the RMR reforms by 2017. We believe that there may be uncertainty over the transition from RMR to the development of smarter markets, which could impact on how much investment and innovation will take place by suppliers. We believe that one of the objectives of this focus area must be to provide suppliers with clear guidance on how smart metering, RMR and new tariffs will work together.

We would also like clarity on the derogations process for smart and time of use tariffs, which is referenced in the consultation document (paragraph 2.4). It is not clear if this is a specific process, or the derogations process introduced under the RMR reforms. If it is the latter, we have concerns that this process may not be sufficiently flexible and timely to allow the free development of innovative or trial tariffs, particularly in the early stage of the smart roll-out when volumes are low.

We believe that suppliers should be allowed to trial such tariffs to assess what does and does not work with customers when trying to drive behaviour change. We think that this phase will in fact start earlier than 2016.

Increasingly, smarter markets will involve customers buying intelligent energy solutions including data management, hardware and tariffs bundled together. We would urge

Ofgem to consider the RMR regulations on bundling to ensure they are appropriately future-proofed.

EDF Energy looks forward to working with Ofgem as it develops detailed proposals for Phase 1 alongside initial objectives for Phases 2 and 3.

Tariff Innovation

We agree that this is an area that Ofgem should focus on.

Provision of Consumption Data & Information

EDF Energy agrees that this is an appropriate area for Ofgem to focus on. We would urge Ofgem to ensure that this review takes into consideration other initiatives that might have a bearing on this topic, including the Energy Efficiency Directive and Government's midata initiative.

When determining the right time to undertake work in this area, we believe that Ofgem should take into account the aggregated smart meter roll-out profile in order to understand how many smart meters are yet to be installed by suppliers.

We believe Ofgem should set out an approach for reviewing data regulations over time to ensure they remain fit for purpose, improve consumer trust and are flexible enough to allow innovation.

Suppliers are mandated to offer IHDs to all domestic customers, but we must be mindful that more cost effective and engaging alternatives will continue to evolve. Whilst the IHD is always powered on, it is not portable, and as such its effectiveness is dependent on location. Technological developments have changed how consumers interact with data, with many customers accessing information whilst multi-tasking.

EDF Energy strongly believes that it would be more beneficial to have a digital service, which could:

- supports numerous, portable devices,
- have an always on, or alert function,
- be tailored for individual customer preferences, and;
- be upgraded to support future developments.

We therefore would like to see Ofgem to commit to reviewing the current IHD mandate, to allow greater flexibility and alternative propositions, as soon as possible. This will help to ensure that customers can benefit from technological developments and reduce the costs to consumers.

Marketing & Sales

We agree that this is a suitable area for Ofgem to focus upon, but we believe this is very closely linked to a number of other focus areas that have been set out. We believe it is

more appropriate for Ofgem to roll this in to the other topics as part of their consideration rather than having a separate category.

Consumers without Smart Meters

Again, EDF Energy agrees that this is a suitable area for Ofgem to focus upon. There are a number of reasons that could result in a customer not having a smart meter installed post 2020, for example hard to reach consumers who decide for one reason or another that they do not wish to have a smart meter installed. We would expect to see each of these areas addressed.

We would like further information on how Ofgem anticipates efficiently regulating two market models (legacy and smart). It is important that the regulatory framework appropriately protects consumer interests, ensures suppliers are not unduly regulated and that there is a cost effective approach to the design of the necessary supporting systems.

Empowerment & Protection for Advanced DSR

At this stage it is difficult to fully comment on this focus area. Whilst it seems appropriate, we would need to understand whether Ofgem intends to include Network Operators and other market participants in this area rather than solely focussing upon suppliers.

We would like to see Ofgem ensure that DSR meets customers' requirements and expectations, whilst delivering a positive customer experience. According to our understanding of the options being discussed in the smart grid forum work stream 6, there is the possibility of mandated tariffs for customers with Time of Use (TOU) networks charging. We have concerns therefore that without the appropriate protections in place, customers could effectively be 'placed' on such tariffs by Network Operators through no choice of their own and be subject to Network Operator action.

Debt Prevention and Management Tools for a Smarter Market

This is another appropriate area for Ofgem to focus on and we believe it has close links to the work Ofgem intends to undertake in the Provision of Consumption Data and Information area.

Q3: Do you agree with the objectives we set out?

Yes, we agree with the objectives that Ofgem has set out. We believe that as part of the prepayment objectives, Ofgem needs to consider the implications and issues associated with an exit from the existing prepayment infrastructures, including when and how this should happen. This area has significant implications for customers and industry alike and is something that the industry must get right, first time.

Q4: Do you agree with the proposed phasing of work, or do you think some areas should be brought forward or pushed back?

Overall, we believe the proposed phasing of work appears appropriate.

However, we believe that Ofgem should start looking at “Consumers without smart meters” much sooner than 2018, as this is likely to be an area with many implications for customers and suppliers alike.

Q5: Do you think we have missed any areas to focus on? When do you think we should address these?

We do not believe that Ofgem has missed any other areas to focus upon. Given the timescales, this is by nature an evolving area of understanding.

CHAPTER: Four

Q6: How would you like to engage with us throughout this work?

EDF Energy would welcome the opportunity to work with Ofgem in developing this work plan further through participating in working groups and providing information as requested.

**EDF Energy
February 2014**