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18 February, 2015

Dear Andrew,

Ofgem's Forward Work Programme 2015-16

Thank you for the opportunity to comment on Ofgem's proposed programme of work for next year. It is important that Ofgem consults with all stakeholders on its priorities going forward in this way, as these can have a significant impact on the industry's ability to serve customers effectively and to operate as efficiently as possible.

The energy industry is currently experiencing a period of significant change, and the quantity and breadth of the proposals outlined in the consultation are a good illustration of this. Large amounts of resources are being invested by companies in order to provide customers with the service they deserve, to reduce the impact of the sector on the environment, to ensure security of supply to current and future customers, and to do so at as low a cost as possible.

Companies also have to respond to an increasing number of changes to existing market rules and processes, plus the addition of new processes, arising from initiatives such as Electricity Market Reform, smart meter roll out, the introduction of European codes, changes to imbalance pricing, settlement reform and customer switching reforms. Some of the changes have been initiated by the industry itself, while others have arisen from policy and regulatory initiatives.

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The sheer volume of reforms that the industry is currently experiencing means that resources within companies are being significantly stretched to the point where they risk becoming unable to cope with implementing the changes to systems and processes necessary to accommodate them. It also limits the ability of companies to contribute to the development of industry change, as well as to assess the impacts of such changes on their customers and businesses while development is taking place.

This presents a number of possible risks. If changes are developed and progressed without due assessment of their potential impacts, then they may not provide the benefits they are expected to provide and may indeed reduce efficiency, frustrate competition and/or be detrimental to customers' interests. If companies are rushing to implement system and process changes with limited resources, they are more likely to make mistakes which impact on their efficiency or the standard of service they provide to customers. Some companies may incur excessive costs trying to meet overly challenging timescales, or may simply fail to implement the changes required, potentially putting them in breach of industry code requirements and/or their licences.

We would therefore ask that Ofgem carefully considers its work programme for next year with a view to the impact that this will have on companies and their ability to operate in the market. A really positive example of where this is already happening is in the area of settlement reform and next day switching. Here Ofgem has set out a timetable of work culminating in implementation in 2019 which, although very challenging, should allow suppliers time to concentrate on implementing other significant initiatives such as Project Nexus, P272, TRAS and Smart Metering before bringing in further changes to the settlement process.

Having a proportionate programme of industry change will ensure that reforms can be made while ensuring that benefits are actually realised on behalf of customers. It will also ensure that the perception of regulatory risk is not such that it prevents new companies and investment from entering into the sector, thus avoiding a potential barrier to entry.

It will also reduce the likelihood of mistakes being made and breaches of code and licence requirements from occurring. This will save Ofgem time and resources in undertaking enforcement action, will ensure that customers receive the standard of service they deserve and help prevent further erosion of customer trust in the industry. It will also ensure that the industry operates efficiently and keeps down the cost to customers.

I hope this proves helpful. Should you wish to discuss any of the above points further please contact me in the first instance.

Yours sincerely,

Paul Jones
Head of Market Development