

GB Wholesale Markets Team
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EMR@ofgem.gov.uk

10 September 2019

Dear Chris,

Adjustments to the Electricity Market Reform Delivery Body Revenues

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, storage and energy supply to end users. We have around five million electricity and gas customer accounts in the UK, including residential and business users.

We welcome Ofgem's proposals to adjust revenue allowances for National Grid Electricity System Operator to fulfil its role as the Delivery Body for Electricity Market Reform (EMR). We support Ofgem's proposal to allow additional revenues of £9.36m for the Delivery Body to fulfil the role for the period April 2016 to March 2021 out of a total of £17.11m applied for.

We understand the case for minimising changes to be delivered in the existing Portal before April 2021; however, as Ofgem recognises, it will also be necessary to ensure that significant and urgent changes can be delivered when required. We would welcome clarity from Ofgem on how it will manage the prioritisation of changes. Furthermore, recognising that the current Portal was delivered late, Ofgem must consider how to manage the risk that the Delivery Body does not deliver the improved Portal on time.

We also believe Ofgem should provide greater clarity on which of the Capacity Market (CM) Rule changes set out in Appendix 2 of its consultation have been delivered, which are yet to be delivered and the planned timelines for delivery of the outstanding changes.

We understand that EMR allowances are recovered through the Balancing Services Use of System (BSUoS) charge. We would welcome clarification from Ofgem on when these increased costs will be recovered.

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 Natasha Ranatunga on 07875 112 981, or me.

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

Yours sincerely,

A handwritten signature in grey ink, appearing to read "Guy Buckenham".

Guy Buckenham
Head of Generation Policy and Regulation

Attachment

Adjustments to the Electricity Market Reform Delivery Body Revenues

EDF Energy's responses to your questions

Q1. Do you agree with consideration of TOTEX for the core role and exclusion from additional revenues?

We agree with Ofgem's decision not to fund the Delivery Body for the complete build of the Portal prior to April 2016. Ofgem's previous EMR funding decision¹ very clearly states "there will be no further 'true up' with actual costs incurred meaning no additional funding will be provided for the period August 2014 to March 2016".

Q2. Do you agree with Ofgem's assessment of spend on the administration system (the 'Portal')?

Yes, we believe that the Delivery Body should be consistently delivering excellent performance for its core activities which includes the performance of the Portal. The Delivery Body has struggled to deliver a Portal that meets the needs of its users, in a timely manner and on budget. Therefore, the Delivery Body should not be rewarded with additional allowances.

Q3. Do you have any opinion on the level of ESO spend on the current administration system (the 'Portal')? Please explain these views.

We are surprised with the level of overspend on IT Capex against allowances; we do not believe that it is reflected in an improvement to the quality of the Portal.

Q4. Do you feel that there are any areas of additional revenue that have not been considered?

No.

Q5. Do you feel that there is a basis for increased spend on resource by the DB in order to maintain a high level of service to applicants and why?

¹Decision on revenue, outputs and incentives for National Grid Electricity Transmission plc's roles in Electricity Market Reform, September 2015:
https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/decision_on_revenue_outputs_and_incentives_for_nget_plcs_roles_in_electricity_market_reform_0.pdf

We do not believe that the Delivery Body has delivered the core services well; we have encountered more challenges than we would have expected in working with the Delivery Body's processes to administer pre-qualification, delivery and payments. Therefore, whilst we believe it is important to ensure that the Delivery Body is appropriately resourced; it is equally important that the Delivery Body clearly sets out to Ofgem how it will deliver a high level of service to its customers.

Q6. Do you agree that the priority should be achieving a step change in IT system functionality and change implemented in the current administration Portal should be minimised in order that this happens by April 2021?

We understand the case for minimising changes to be delivered in the existing Portal before April 2021; however, as Ofgem recognises, it will also be necessary to ensure that significant and urgent changes can be delivered when required. We would welcome clarity from Ofgem on how it will manage the prioritisation of changes to ensure that key aspects of the Delivery Body's core role continue to be delivered ahead of the new IT system implementation.

Furthermore, recognising that the current Portal was delivered late, Ofgem must consider how to manage the risk that the Delivery Body does not deliver the improved Portal on time.

Q7. Do you agree that the change implemented in the current administration Portal should be minimised to ensure value for money?

We would welcome clarification from Ofgem and the Delivery Body as to what changes will be delivered in the current Portal. In 2018 Ofgem set out its intention to implement CP270 and CP271 following completion of system changes to facilitate DSR reallocation which came in before prequalification in 2019. When will these approved changes be incorporated?

More generally, the industry needs greater visibility of the implementation timelines of changes that have been approved as they go through the implementation process up to the time when they are successfully implemented.

Q8. Do you agree with a future uncertainty mechanism to account for the uncertainty in developing a new IS administration system?

We think it is appropriate for there to be an uncertainty mechanism to account for the uncertainty in developing a new IS administration system. Historically the Delivery Body has not involved industry participants in the development of systems for the CM. We believe this

lack of involvement has been a major contributory factor to the current system not being fit for purpose and hence to the need for further expenditure to correct this. We suggest that in future the Delivery Body be required to engage with industry participants via an appropriate process as a condition of a future uncertainty mechanism.

Q9. Do you agree with the level of additional revenue provision in each category given the DB's requirement to manage change and why?

We agree that the Delivery Body should not receive additional funding for its core EMR role, or the Portal build already funded. Efficient funding for changes as a result of policy amendments should be allowed.

EDF Energy
September 2019