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**Statutory consultation on modifications to the Smart Metering Communication Licence relating to Baseline Margin Relevant adjustments and the Baseline Margin Project Performance Adjustment**

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 the opportunity to comment on the proposals for modifications to the Smart Meter Communication Licence which correct an inconsistency in the Licence between the calculation of the Baseline Margin Project Performance Adjustment and the Project Baseline Margin.

We agree with the proposed modifications to:

1. Clarify that Relevant Adjustments to the Baseline Margin are to be expressed in 2013/14 prices
2. Amend the Baseline Margin Project Performance Adjustment calculation so that it is consistent with the price base of the Project Baseline Margin recovered by Smart DCC Ltd (DCC).

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Tony Neville on 07384 529009, 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 Customers Policy and Regulation**

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## **Attachment**

### **Statutory consultation on modifications to the Smart Metering Communication Licence relating to Baseline Margin Relevant adjustments and the Baseline Margin Project Performance Adjustment**

#### **EDF Energy's response to your modification questions**

##### **Modification 1. Price base of Baseline Margin Relevant Adjustments**

EDF Energy is supportive of Ofgem's modification proposal to include additional text in paragraphs A5 and A11 of Appendix 2 of Condition 36 to clarify that Relevant Adjustments are to be expressed in 2013/14 prices.

The additional text will require Baseline Margin Relevant Adjustments to be submitted by DCC in 2013/14 prices, and to be determined by the Authority in 2013/14 prices.

The revised wording should avoid misinterpretation by both the DCC and Ofgem. It will also ensure the value of the Baseline Margin recovered by the DCC is correct.

##### **Modification 2. Calculation of the Baseline Margin Project Performance Adjustment**

At present the DCC's performance on Projects is incentivised by adjusting DCC's Allowed Revenue through the Baseline Margin Project Performance Adjustment.

As currently drafted in the Licence, the calculation of the Baseline Margin Project Performance Adjustment is inconsistent with the price base of the Project Baseline Margin recovered by DCC.

We accept Ofgem's proposed amendment to make a change to the definition of the Project Baseline Margin (PBM<sub>n,t</sub>; where "n" is Project "n" in Regulatory Year "t") term in paragraph A17 of Appendix 1 of Condition 38 to reflect the fact that Relevant Adjustments to the Baseline Margin are expressed in 2013/14 prices.

The change will have the effect of making the Project Baseline Margin equate to the Project Baseline Margin recovered by DCC in Regulatory Year.

**EDF Energy**  
**April 2019**