

Ofgem
10 South Colonnade,
Canary Wharf,
London, E14 4PU.

Email to: smartmetering@ofgem.gov.uk

26th November 2019

Dear Cecilie

Statutory Consultation on the Post-2020 Smart Meter Rollout Reporting Requirements

EDF Energy is the UK's largest producer of low carbon electricity. We operate low carbon nuclear power stations and are building the first of a new generation of nuclear plants. We also have a large and growing portfolio of renewable generation, including onshore and offshore wind, as well as coal and gas stations and energy storage. We have around five million electricity and gas customer accounts, including residential and business users. EDF Energy is committed to building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

We welcome timely consultation by Ofgem as to what would be a proportionate smart metering reporting framework for suppliers in the post 2020 period. Early sight of final proposals will provide much welcome transparency and certainty for suppliers as to the obligations they will face from the beginning of 2021.

However, in developing and consulting upon its proposals it is important for Ofgem to acknowledge the need for any ongoing reporting requirements to fully reflect the post 2020 policy framework that will be introduced by Government, which is not yet finalised. To date BEIS has consulted on initial policy proposals that may differ from that which are finally proposed. In our response to BEIS's consultation, EDF Energy has argued against a policy framework that places fixed milestone targets on suppliers with no additional policy support to increase the take up of smart meters in a customer opt-in programme. Adopting such an approach without tackling the primary constraint on rollout progress of customer engagement provides no opportunity for suppliers to complete an efficient roll-out and introduces significant regulatory risks. We believe the current post 2020 framework proposals are flawed; they would have the effect of introducing unachievable mandated annual targets on suppliers and are overall unlikely to be in the best interests of consumers.

Therefore, while we are supportive of early consideration by Ofgem in terms of a post 2020 reporting framework, we believe Ofgem should look to re-consult on its proposals as and when the BEIS policy decisions have been finalised, even if the content of the consultation remains largely unchanged. Given the current stage of the BEIS consultation process and the existence of significant stakeholder opposition to the current proposals, we believe it is not best regulatory practice for Ofgem to be issuing a statutory consultation on an interrelated reporting framework at this time.

Irrespective of the final post 2020 framework introduced by Government, we believe Ofgem should seek to introduce a monitoring framework that is consistent with the following objectives:

- a. A level playing field; all suppliers should fall within the scope of the reporting framework; and be subject to same requirements unless it can be demonstrated that this would be disproportionate for a subset of suppliers. .
- b. Appropriate level of detail; a proportionate, consistent and transparent framework that minimises the reporting burden of the current obligations.
- c. Consumer centric; maintains the ability for Ofgem to assess against a reasonable steps standard in terms of supplier obligations.

Putting our concerns with the BEIS proposals aside, we are largely supportive of the reporting framework outlined in this consultation. Our views on the detailed elements of the framework are set out below in response to the specific proposals. The views expressed are on the basis that the current post 2020 policy framework proposals remain unchanged.

However, we do believe that Ofgem needs to duly consider the level of stakeholder concern with these proposals and the potential consequences of what we consider to be unachievable targets would have under a reporting and monitoring framework. For instance, customer perception of the programme will be damaged through the publication of targets which are routinely missed by suppliers. It is not in consumer's interest to support a framework that imposes unachievable absolute targets without providing suppliers with the ability to demonstrate they took all reasonable steps to meet their obligations.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Andrew Jones or myself.

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

Yours sincerely

A handwritten signature in black ink that reads 'R. Beresford'.

Rebecca Beresford
Head of Customers Policy and Regulation

Attachment: Response to the questions within the Statutory Consultation on the Post-2020 Smart Meter Rollout Reporting Requirements

1.1 Reporting requirements for energy suppliers:

We are supportive of all suppliers being within scope of the reporting framework. Where less onerous requirements on small suppliers can be justified, we believe an appropriate threshold should be established. We agree that, as a minimum, suppliers' with over 150,000 gas and/or electricity accounts should be subject to the full suite of reporting obligations.

1.2 Annual Reporting:

We agree with this approach.

1.3 Timing for reporting:

We agree with this approach.

2.1 Content of Beginning of Year Report – All suppliers:

While we agree with the general approach, in practice the likely outcome of the proposed reporting framework will be to show that all/most suppliers have failed to achieve their milestone targets. We do not consider it is in any party's interests to impose a policy and reporting framework that simply sets suppliers on a course of failure at the outset. A more flexible regime is required which accounts for instances where suppliers' plans (derived from their own strategic modelling) are not aligned with their imposed targets. Where such instances arise, suppliers could provide additional information that explains and justifies any divergence. This would be more transparent and useful for Ofgem's performance monitoring, rather than only receiving submissions from suppliers that simply match targets without any realistic expectation that these are achievable.

There is currently uncertainty as to how the target calculation works in practice, which has been raised with BEIS. Ofgem and BEIS must work together to have a consistent view of how the calculation is worked out which all suppliers follow to create a level playing field.

2.2 Additional Reporting for Large Suppliers:

We agree with this approach. The data requested is proportional and will be important for Ofgem to have sight of when reviewing the end of year supplier reporting.

2.3 Process for managing Beginning of Year Submissions:

We agree with this approach in normal circumstances. However, under the proposed framework suppliers may not be able to provide confidence they have a plan to meet the targets. It is our

understanding that Ofgem will not reject supplier plans should they not provide confidence the targets will be met and this would look to be a sensible solution in the situation.

We support the continuing of Ofgem's current processes of in year bilateral meetings, written feedback on individual submissions and open letters. These provide opportunities to suppliers to be able to demonstrate the progress they are making and the challenges being experienced, and to receive guidance on areas they should focus and opportunities for improvement.

3.1 Content of End of Year Performance Report – All suppliers

Even under the proposed framework we support the approach, as it will help Ofgem assess the progress suppliers have made, in order to inform any decisions about next steps.

3.2 Additional End of Year Performance Reporting for Large Suppliers:

We agree with this approach, it is sensible that this additional data is requested within the reporting.

4.1 Publication of Information – All Suppliers & 4.2 Additional Information to be Published – Large suppliers:

We believe Ofgem should keep this proposal under consideration. If the targets being set are unachievable, the publication of the targets, without any accompanying narrative on performance achievements (including all reasonable steps) is likely to attract negative stakeholder attention and be detrimental to smart engagement generally. We encourage Ofgem to work with BEIS and suppliers to put a framework for information sharing in place, alongside achievable targets, which meets the needs of customers and wider net-zero targets and does not lead to detrimental unintended consequences, such as damaging customer perception of the programme.

It may be more helpful to provide some simple commentary to explain the results, particularly if targets have not been reached. Requiring suppliers to publish the number of meters installed with no further context does not help customers to use the information to make informed choices when reviewing the market. An example of this would be a supplier may miss their target because of the need to replace existing 2 & 3G comms hubs with 4 & 5G comms hubs at the DCC's and BEIS's request.

5. Regulatory Framework

Overall the proposed licence wording looks fine except for:

- "Qualifying relevant premises" as we set out in our response to BEIS, this definition goes beyond domestic and designated premises i.e. beyond the scope of the smart meter roll-out obligations.

EDF Energy
November 2019