

Attachment

Smart Metering Implementation Programme: Consumer engagement strategy

EDF Energy's response to your questions

Chapter 2 Introduction

Consultation Question

Q.1. Are these the right aims and objectives (paragraphs 2.12 – 2.13) against which to evaluate the Government's consumer engagement strategy for smart metering? Please explain your views.

EDF Energy broadly supports the aims and objectives against which to evaluate the smart metering consumer engagement strategy.

However, we would like to draw DECC's attention to the following issues. Firstly, the second of the 'aims', noted in para 2.12, will be very challenging to deliver in practice, and costs of suppliers' interventions would almost certainly be reflected in customers' tariffs. We believe it is key that the right balance is achieved between realising the benefits set out in the Impact Assessment and increasing the cost to serve.

The objectives look, in principle, fit for purpose, but we are concerned that, as written, there is an assumption that consumers are already engaged with energy efficiency, and ready to embrace the potential benefits that smart meters will bring. We are not convinced that there is a universal appetite from consumers for behavioural change at the current time, and we believe achieving this must be one of the fundamental objectives of the consumer engagement strategy. We will make information available and give advice to our customers to allow them to monitor and control their energy use, but we cannot make them take action.

We anticipate that DECC will create, and share, an evolving evidence base on consumer interaction, resistance and barriers to both smart meters and energy efficiency. The two are not necessarily mutually inclusive, as customers may warm to smart meters for some benefits, but not for others – e.g. accurate billing, but not for behavioural change or vice versa.

Ensuring that vulnerable and low income consumers can benefit from the roll-out is also critical. We have considerable expertise in helping our vulnerable customers to manage their relationship with energy and we want to retain ownership of this, but we do see a centralised consumer engagement strategy playing a supporting role here.

Finally, we believe that the engagement strategy must contribute to restoring consumer trust in the energy sector. We believe that there must be more joined up communication between DECC and Ofgem, as we have recently seen positive stories released to the media, which are then quickly eroded by other, non related publications from the Regulator or consumer groups.

We must all work together if this programme is to be truly delivered efficiently and cost effectively.

Chapter 3 Effective consumer engagement

Q.2. What are your views on focusing on direct feedback, indirect feedback, advice and guidance and motivational campaigns as behaviour change tools? What other levers for behaviour change should we consider? (See also Appendix 1.)

We believe that suppliers must be given sufficient room to innovate. The more prescriptive the Government's strategy, the less differentiation there will be, which could stifle the market.

We believe the behaviour change tools referred to by DECC are indeed the main mechanisms for providing information to customers. However, DECC should undertake further work to better understand what supporting information/advice needs to be provided at the same time to give the customer a meaningful context. This information must be clear and presented to consumers in a straightforward way.

With this in mind, we believe that customers must receive a coherent message consisting of feedback, contextual information and options for changing their energy behaviour.

As mentioned in our response to Question 1, the lever for change will only work if there is customer desire to do things differently, and we are not convinced that currently there is such an appetite from consumers for behavioural change.

Q.3. What are your views on community outreach as a means of promoting smart meters and energy saving behaviour change?

Our own research shows that using community outreach can certainly increase awareness of smart meters, and, as a result, increase access rates for installation. However, we have not seen evidence in our trials to date that community outreach schemes are particularly successful for changing energy consumption behaviour.

There are pro's and con's of community outreach. On the one hand, we believe that it is critical for successfully working with disadvantaged communities. However, it can prove to be expensive, and the benefits of such an investment can sometimes be difficult to attribute to the outreach programme itself.

We believe that the CDB has a role to play in community outreach, but the details require further consideration. There are clearly efficiencies that can be achieved by undertaking activities once, rather than by each energy supplier doing these individually.

We expect to see the CDB play a vital role in rebuilding consumers' trust in suppliers, providing reassurance and dispelling myths associated with smart meters. We would not want to see a situation where any such central activity stifles commercial offerings and partnerships between individual suppliers and other organisations.

Q.4. Have the right evidence requirements been identified for Foundation learning? What other evidence or approaches to research and trialling might we consider?

We broadly agree with the evidence requirements set out by DECC. We would suggest to DECC that other major rollouts could provide useful evidence outside of the energy industry and an example could be 'Chip and PIN'. Valuable lessons could be learned from these programmes. We also consider that interoperability, barriers to both smart meters and behaviour change, must feature as requirements of Foundation learning.

As well as the areas listed where further evidence is needed, we would suggest that DECC may wish to consider adding:

- Hard to reach consumers / communities;
- Cultural differences and how these might be best accommodated;
- Different communications approaches with consumers during the Foundation learning stage.

EDF Energy believes that timing will be critical if Foundation learning is to give all parties the maximum benefits. The learning must be early enough to influence both DECC's policies and also suppliers' own commercial strategies. In addition, we must have the learning in sufficient time to deliver for the run up to, and in readiness of, the mandated roll-out.

We would remind DECC of the commercial sensitivities that, as a supplier in a competitive market, we may not choose to share with others. With that in mind, we would like to reaffirm that EDF Energy is happy to participate in such a useful learning process.

Chapter 4 Delivering consumer engagement

Q.5. What are your views about the desirability of the Programme, or other independent parties, making available information on different suppliers' installation packages and their impacts? When might this best be introduced?

We do not believe this to be an appropriate activity for the Programme to undertake and we have real concerns that such an activity could lead to market impacts or even distort competition.

The installation visit, the assets deployed, propositions and packages will all form part of the supplier differentiation expected in a competitive market. We are unclear as to what potential benefits DECC considers would be realised by adopting such a proposal.

Q.6. Do you agree that a centralised engagement programme, established by suppliers with appropriate checks and balances, is the most practical solution given other constraints? If not, what other practical alternatives are there?

EDF Energy supports the need for centralised engagement and we believe its primary activity must be to support suppliers in their roll-out of smart meters.

The CDB will be a public facing organisation representing Government policy and communicating this through a variety of media channels to consumers. We strongly believe this should be a Government driven activity, chaired by DECC, and supported by other interested Government departments (such as the Department of Health), suppliers, consumer groups, network operators and other appropriate parties.

If the governance and operation of the CDB were to remain independent of energy suppliers, as suggested in the proposed licence conditions, we do not believe that it is reasonable to expect suppliers to fund the body or establish it. EDF Energy firmly believes that if this were to be the case, we would expect the CDB to be mobilised and delivered as part of the DECC Smart Metering Implementation Programme.

EDF Energy does not believe that the "checks and balances" set out in the consultation document are checks and balances. We would suggest that they are a list of exclusions from supplier involvement in CDB governance, post establishment, and we do not believe that this is acceptable.

While there is much work to be done to determine the most appropriate funding mechanism, we strongly believe that any supplier funding must be reflective of market share. If funding is not attributed by market share, then the burden would be shared unevenly between the customers of some suppliers compared to others, causing competitive distortions.

Q.7. Do you think that suppliers should be obliged through licence conditions to establish and fund a Central Delivery Body or would a voluntary approach be preferable?

Our view is that the CDB should be established by Government.

However, we acknowledge that there are a number of ways in which suppliers could be obliged to set up a CDB. These range from a supply licence condition, to putting the obligation into the Smart Energy Code (SEC), to a purely voluntary agreement.

EDF Energy believes that a supply licence condition would be a very heavy handed way to place an obligation on suppliers to set up the CDB and runs the risk of being difficult to regulate. In particular, we have concerns about the setting of KPIs and the risk of unintentional breaches outside a individual licensee's control.

Adding an obligation into the SEC is should be considered further, as we believe setting up the CDB would be easier to manage through SEC change control procedures. While we recognise the timescales for the delivery of the SEC would mean that the regulatory instruments would not be in place to mobilise and establish the body in the required timescale, there could be an interim solution that could transition into the SEC as appropriate.

If suppliers are to be obliged to establish the CDB, EDF Energy believes that a voluntary approach would be sufficient. There have been numerous examples of voluntary agreements and self-regulation working very effectively in the energy industry, such as the former Voluntary Supplier Commitment for social expenditure programmes.

Q.8. What are your views on the proposed objectives for the Central Delivery Body? Are there any additional objectives which should be included?

EDF Energy is broadly supportive of the proposed objectives of the CDB.

We believe that its primary objective must be to build customer support for the roll-out by providing consumers with confidence in the benefits and reassurance on areas of consumer concern.

The CDB must first raise its profile and brand in the public domain before engaging in any direct communication with customers on smart meters as we believe customers will more readily engage with a brand they have some awareness of.

The CDB's communications and engagement with consumers must be consistent and at a high level to allow suppliers to communicate directly with customers on a more in-depth basis.

We have some concerns about the reference to consumers having an 'understanding' of how to use the smart meter to deliver behaviour change, as this is very subjective and will be difficult to measure.

Finally, we believe that DECC must exercise caution, and should not extend these objectives of placing responsibility for achieving energy efficiency on the CDB, or suppliers.

As we have already stated, taking action is ultimately in the control of the customer, and it is important that accountability for the objectives is set appropriately.

Q.9. What are your views on the suggested activities for the Central Delivery Body?

EDF Energy is broadly supportive of the proposed activities of the CDB.

We believe that any energy efficiency advice provided by the CDB must be at a high level and generic so that it is appropriate for all customer groups and does not duplicate other resources. The advice must not overstate the benefits, as we would not want to be put in a position where expectations could not be fulfilled. For more advice on energy efficiency, consumers should be directed to the Green Deal remote advice line, once in operation.

We urge DECC not to regulate now what the activities of the CDB should be. The focus should be on getting the right objectives for consumer education and awareness with the best mechanisms being defined by the CDB itself, taking a holistic view of roll-out. We believe that such an approach would help avoid unintentional constraints and inefficiencies.

Provision of general tips and advice for saving energy will then allow suppliers to give more meaningful and tailored advice to customers on the back of the CDB material.

Q.10. Do you have any views on mechanisms for monitoring progress and holding suppliers to account in delivering objectives?

We believe that it will be necessary to undertake some benchmarking activity to determine current awareness levels, access rates and consumers' understanding of energy efficiency before the CDB is in place. We view this as an essential step so that all parties understand the basis that the CDB will work from. Once undertaken, and the CDB commences its activities, monitoring in these areas can take place and the success of the CDB can be determined.

EDF Energy does not believe it is appropriate to hold suppliers to account for delivering behaviour change. A more realist aim would be for suppliers to monitor consumers' understanding in this area (i.e. rather than have an objective to achieve a percentage reduction in consumption or a saving in their bills).

We are awaiting the set of reporting and monitoring requirements that will be set out and consulted on by DECC shortly and we are expecting that this will cover all aspects. We do not believe that there should be additional requirements set from this policy consultation.

Q.11. How can we ensure sufficient effort and funding to achieve the objectives is balanced against the need to keep costs down?

We believe it is in the interests of all parties, from Government to suppliers and consumers, that the CDB is a success. We do not believe that suppliers will get sufficient levels of engagement without an independent and trusted body that can pave the way for our engagement with our customers.

We believe that the CDB must be set a very clear and defined scope from the outset. Equally, the budget must be set in advance over both the short and medium term with expected expenditure, and these plans should be published to ensure transparency. We believe that all parties can learn from the Digital UK experience, where the budget was ring-fenced to ensure its availability.

A ring-fenced budget, combined with the cost-effective delivery of well-defined objectives, should provide the necessary assurances. Any activity undertaken by the CDB must align with the delivery of its objectives.

We must also be mindful that different activities will have different costs, and that these will ultimately be borne by the consumer, where funding is provided by suppliers.

Q.12. Do you think contracting an existing organisation or setting up a new Central Delivery Body would be a workable mechanism for delivering consumer engagement? What are the advantages and disadvantages of these two options?

EDF Energy believes that both options outlined by DECC are workable mechanisms for delivering consumer engagement, but we are of the view that establishing a new CDB would be the preferable mechanism.

We believe that use of an existing body would compromise the perceived independence of consumer engagement delivery. A fresh and new brand and logo is important as shown by the Digital UK programme.

The scope and importance of the work that the CDB will perform over at least six years requires a new and dedicated body to be established. In particular, a bespoke governance structure will need to be set up and this would be difficult to achieve if we were to use an existing organisation.

The body will need the infrastructure and back-office systems and services to support the scope of activities set out in last year's Request for Information. The use of people, systems, processes and offices from an existing body could provide this as a warm start-up - Digital UK could be an example.

Finally, we believe there is potential value in considering the use of some of this organisation's resources more carefully.

Q.13. Do you think the objectives and activities of the Central Delivery Body described here will help deliver the aims of the consumer engagement strategy (see paragraphs 4.32 – 4.33)? Please explain your views. Do you have any alternative suggestions?

EDF Energy is broadly supportive of the proposed objectives of the CDB and we believe these will assist with delivering the consumer engagement strategy.

However, as previously mentioned, we would urge DECC not to be overly prescriptive too early by determining now what the activities of the CDB should be. We are some two and half years away from the roll-out commencing and there are a number of unknowns that need to be better understood to ensure success. We cannot accurately predict at this stage what the level of consumer 'buy-in' to smart meters will be in 2014 and how readily they will receive, and act upon, the energy efficiency and behavioural change advice that is given.

With this in mind, we suggest adopting a progressive approach to setting out the CDB's activities, starting with finalising the CDB's objectives. Over the coming months, as both DECC and suppliers' understanding of consumer attitudes better develops, and the CDB is established, we can collectively make more informed decisions around the CDB's activities and refine them as the roll-out approaches.

We believe that we should collectively concentrate on getting the right objectives for education and awareness of consumers and the best mechanisms for delivering these will be refined by the CDB itself, taking a holistic view of suppliers' roll-out. We believe this would help avoid unintentional constraints and inefficiencies for the future.

EDF Energy believes that its primary objective for smart metering must be to build customer support for the roll-out by providing consumers with confidence in the benefits and reassurance on areas of consumer concern.

Q.14. How can we ensure that the Expert Panel attracts a sufficient level of expertise?

EDF Energy believes that the "Expert Panel" function could best be delivered by a series of advisory groups that would cover off a variety of areas of expertise, in particular "Consumer", "Communications", "Delivery" and "Technical". While we believe that the CDB should be responsible for attracting appropriate expertise to these groups, we do not foresee any issues with attracting the sufficient level of knowledge and expertise.

We believe the Panel members should come from a range of industries and bring a mix of skill sets and experiences from different backgrounds.

Remuneration will also be a consideration if the right individuals are to be attracted.

Q.15. Do you foresee any conflicts between this approach (particularly when structured in accordance with the information provided in the rest of this chapter) and competition law? If so, what are these and how might they be addressed?

We do not see any issues as the CDB is to be a 'not for profit' organisation, with a defined governance structure and representation from a variety of relevant parties.

Q.16. Do you have any other comments on how a governance framework could be designed to ensure the appropriate balance as described in paragraph 4.35?

We strongly believe that Government, suppliers, consumer groups and network operators must all be key parties throughout the operational governance structure of the CDB.

The CDB will need supplier input setting out what activities they are planning to undertake. Having a holistic view of supplier roll-out activity will allow the CDB to set an appropriate budget in delivering its objectives – we must not detach the CDB business plan from the funding bodies.

We believe that an independent chair, or DECC assuming this role, and representation from a wide range of stakeholders, will ensure that the CDB delivers its objectives.

EDF Energy believes that DECC should adopt the principles of Better Regulation. If licence conditions are deemed necessary, then these should be 'light touch' only and should set out clear objectives for the CDB to deliver in the most efficient way. We do not believe it is appropriate for these to be as detailed, as set out in the consultation document.

We are concerned that too much prescription is likely to constrain the effectiveness of the CDB, and therefore could end up costing more money and introducing risk.

We further believe that DECC should allow a window for the CDB to be established before any formal licence condition is considered necessary.

Q.17. What role should smaller suppliers have, if any, in setting up a delivery mechanism for central engagement? What should the ongoing relationship between small suppliers and the central delivery mechanism be?

We believe that a wide range of groups should contribute to the body's work, whether or not they contribute to the body financially. Having said this, we think it is important that there is clarity on the role of not just small suppliers but also of consumer groups, Government, regulatory authorities, and network operators.

We believe that all of these entities should have a means of providing input into the messaging that will be used by the body and that this process must be transparent. A wide range of stakeholders will benefit from the roll-out of smart meters, and if the CDB is to consider the requirements of those stakeholders, then we believe they should contribute to the funding of the body, including small suppliers.

We believe that a fundamental role for the CDB will be reacting to any negative publicity generated by the actions of specific suppliers, e.g. if a supplier were to create a reputational risk for the roll-out as a whole by failing to install meters to their customers' expectations.

We recognise that all suppliers installing smart meters would be affected by the associated reputational risk. Equally, we believe that all suppliers who associate themselves with the brand of the CDB should be invited to become involved in its governance.

Q.18. What role, if any, should network companies and communications service providers have in central engagement?

We do not believe it is appropriate for networks and CSPs to have a role in early central engagement activities. Early messaging needs to be simple and specific to smart metering, to ensure the messages we want to convey are clearly stated and to avoid consumer confusion.

As the engagement and awareness of consumers matures through the roll-out timeframe it may be appropriate for additional messages to be communicated via the CDB – high level information of smart grids might be an example. At this point, the DNOs should be invited to join the CDB and contribute funding as appropriate.

Q.19. Do you agree that the timings for the creation of a Central Delivery Body as set out above are achievable? Please explain your views.

We believe that the regulatory regime chosen for the implementation of the CDB is likely to have the biggest impact on timescales for its implementation.

EDF Energy believes that the timescales as set out are ambitious, and further work is needed to define the operational framework and mobilisation activities. We believe that the speed of set-up is critical if the CDB is to hit the ground running. We believe that establishing a small group initially is important and then to allow the CDB to expand flexibly as momentum gathers.

We welcome that DECC is aiming to step up its proactive communications activity around smart meters over the coming months. We support this activity and would stress that the primary aim of such communications should be to dispel any myths and inaccurate reporting in the media rather than to stimulate early demand for smart metering before roll-out structures are in place.

Q.20. What are your views on the need for the Central Delivery Body to establish an outreach programme?

We believe that it would be appropriate for the CDB to establish a national outreach programme as long as its role and purpose was clearly defined and allowed for suppliers to engage with stakeholders and partners as needed.

EDF Energy is supportive of DECC's intention for the CDB to coordinate with third party trusted intermediaries and with the proposal that the CDB could provide a central contact point for third party intermediaries. We believe it would be more effective for the CDB to work with trusted intermediaries to deliver outreach in communities rather than reinventing structures – intermediaries will already have the trust and the structure to support the delivery such as Citizen's Advice Bureau. We believe there must also be a common set of material available to all. It will be necessary for some common publicity to let consumers know that smart metering is coming and to raise their awareness of smart metering at both a regional and community level.

We believe that it would be better for any localised activity to be built around general awareness raising and brand building, like the rest of the CDB's work. We will then be able to generate customer pull as necessary according to various geographies and demographics.

We would urge DECC to exercise some caution on setting out objectives at such an early stage. We do not yet know what the most effective way to deliver engaged consumers via outreach will be. It could be by supplier only activity or to overlay some central co-ordination as well. EDF Energy believes it would be inappropriate to make assumptions now on such a key activity when it could have significant consequences to the reputation of the whole programme should it go wrong.

Q.21. Should there be requirements for suppliers to share roll-out plans with the Central Delivery Body, and for the body to take them into account?

We believe that there are potential synergies and benefits that the CDB could realise if communications and other engagement approaches were reflective of supplier roll-out activity.

In order for this to work it would require all suppliers to commit to share such plans and a 'one out, all out' approach would have to be adopted. In addition, the plans should be anonymised (i.e. not supplier specific) and should not be used for any other purpose.

Q.22. Is there value in such a brand and if so, when should it start to be visible? Should suppliers or other stakeholders be able to use the brand on their own (non-central body) smart meter communications and if so, on what basis?

EDF Energy believes that there are real benefits for the CDB to have its own branding. A distinct brand could demonstrate that it had independence from Government and suppliers and could provide some substance behind the campaigns.

The brand must be specific to the roll-out of smart meters and should not be used for other purposes. The Digital UK switchover engaged in publicity in order to raise its profile prior to undertaking specific messaging directly with consumers and we believe the CDB should do the same.

EDF Energy believes that an experienced marketing expert must be appointed to the CDB board early on to oversee the development of the brand and its initial promotion.

It is our view that ongoing use of the CDB brand should be a responsibility of the board and that those organisations that wish to use, or be associated, with the brand should provide an appropriate and apportioned level of funding.

Q.23. Do you agree that the licence conditions as drafted in Part A effectively underpin the policy intention to require energy suppliers to form a Central Delivery Body? Please explain your views.

EDF Energy believes that Government should establish the CDB for the reasons previously detailed.

We do not believe that licence conditions as drafted are appropriate and that, if necessary, suppliers have both the capability (we have collectively established other bodies on a voluntary basis), and have the right incentive to establish a CDB.

Furthermore, if suppliers were to be obligated to establish the CDB the licence conditions and governance framework would need to "respect[ing] suppliers' responsibility for funding and delivery" as set out in the consultation document. The proposed framework does not do this.

We are very surprised to note that suppliers are explicitly completely detached from any ongoing involvement in the CDB and we do not think this to be at all appropriate for a body that will be funded by suppliers. Additionally, the CDB must reflect our activities and learning in order to deliver the best consumer engagement programme.

Q.24. Do the licence conditions as drafted give the Central Delivery Body sufficient separation from suppliers to achieve the policy objectives as set out above? Do you have any specific comments on the Constitution, Members and Directors, and Independence sections of the licence conditions?

EDF Energy believes that DECC should adopt the principles of Better Regulation. If licence conditions were to be deemed necessary then these must be 'light touch' only and should

set out clear objectives for the CDB to deliver in the most efficient way. We do not believe it appropriate for these to be as detailed as set out in the consultation document.

We do not think that a complex regulatory and governance structure should be defined for "Experts" or the Expert Panel. EDF Energy believes that there must be the flexibility for the Board and the CDB itself to call on expert advisory groups as they see fit to deliver the objectives.

We are aware that Energy UK has set out a structure where the CDB has expertise in Marketing and Communications, Programme Delivery, Technical and Industry and Finance & Operations. We would expect there to be advisory groups to align with these functional areas as well as an essential Consumer Advisory Group.

We are conscious that there is much more work to do in the mobilisation phase and on the constitution and voting of the governing body, and we look forward to continuing to work with Government on this.

We believe that there should be long term plans with indicative costs and activities produced in addition to short term plans. If the CDB is to be in place for the duration of the roll-out, we see the need for one year plans, three year plans and a plan to the end of 2019.

Q.25. Do you agree with the way the objectives are drafted in the licence conditions? Should they be more or less detailed?

See answer to Q24.

We do not believe that there should be any prescription of activities at a lower level (including customer outreach) as this would constrain what the CDB could do to deliver the most efficient and effective solutions for consumer engagement. We simply do not know now what the best activities will be in two, three or five years time. We would urge DECC to also take into account that all suppliers will have their own plans for consumer engagement.

The CDB must not operate in isolation, as it is the suppliers that will be communicating with their customers directly to complete the roll-out of smart meters.

Q.26. Do you agree that the licence conditions as drafted underpin the policy intention with regard to the expert panel? In particular, do they correctly identify the types of expertise required, and give sufficient clarity and detail on the purpose, role, independence, membership and operation of the Expert Panel? Do you agree that the Secretary of State should approve the process for appointing the Panel?

EDF Energy would refer DECC to our previous answers around the draft licence conditions.

We think that there should be the necessary flexibility for the Board and the CDB itself to call on expert advisory groups as appropriate and as required to deliver their objectives.

We do not believe it necessary for the Secretary of State to approve the process for appointing the Panel.

Q.27. Do the licence conditions effectively underpin the policy intention of the functions of the CDB? Are there any additional functions that you think should be included in the legal drafting? Please explain your views.

We refer DECC to our previous views on the draft licence conditions.

EDF Energy believes that the focus must be concentrating on creating the right objectives for education and awareness. We firmly believe that it should be the responsibility of the CDB itself to decide the best approaches and mechanisms to deliver these objectives.

If Licence Conditions are deemed to be necessary, then they must be light touch and set out the requirement to establish the CDB, the objectives it will have and the ring-fencing of its budget.

Q.28. Do you agree with the form and content of the Engagement Agreement as drafted in the Licence Conditions? Please explain your views.

We refer DECC to our previous views on the draft licence conditions.

EDF Energy does not believe the engagement agreement is the most appropriate governance solution. The model set out with an Engagement Agreement is unnecessarily complicated and places a great onus on a commercial agreement between suppliers and the CDB over which little is set out and over which little control may be exerted.

We would also draw DECC's attention to the fact that the way this has been set out in the consultation is different from any other existing arrangements established in industry.

Q.29. Do you agree that the licence conditions as drafted effectively underpin the other duties of suppliers in relation to the Central Delivery Body? Are there any other duties that should be included? Please explain your views.

We refer DECC to our previous views on the draft licence conditions.

EDF Energy believes that if Licence Conditions are absolutely necessary, then the duties should be at a high level to include the allocation of funding, ring-fencing the budget, establishing the body and assisting, co-operating and participating in its governance.

Q.30. Do you have any other comments on the licence conditions which have not been covered by the previous questions? Are there any unintended consequences we can anticipate?

We refer DECC to our previous views on the draft licence conditions.

Q.31. Do you think there are any consequential changes to existing licence conditions or codes which are needed in order to make the proposed obligations work as intended? Please explain your views.

Further work will be needed to understand if there are any consequential changes to existing licence conditions or codes and we look forward to working with DECC in the coming months in this regard.

Chapter 5 The non-domestic sector

Q.32. What are your views on the state of the energy services market for non-domestic consumers and its future development?

Energy services is a very broad term and covers a broad scale of offerings from very passive solutions that rely solely on the customer taking action through to formal, contractual based services.

We believe that there are different levels of energy services awareness within the non domestic sector. Large and multiple site customers have awareness, but this is not necessarily the case for smaller SME and micro-business customers.

More and more services are likely to develop in the market as smart metering is rolled out and suppliers and Energy Services Companies (ESCos) innovate. There are a variety of difficulties which make the market hard to service at present, but we believe that these issues can be overcome with smart meter technology and more accurate data.

We believe this will help EDF Energy to offer advice to these customers on energy efficiency measures and on reducing consumption. Simplicity is the key for these customers.

More accurate data will provide the potential for new products, such as time of use tariffs, to be developed, such as time of use tariffs, which could deliver savings in the non domestic sector.

The challenge for EDF Energy, other suppliers and ESCos, will be promoting behavioural change on energy use in the non domestic sector. Approximately 65% of SME customers rent their business premises and this will no doubt make it harder to encourage them to invest in energy efficiency measures.

Our own research suggests that SME customers are not actively engaged in energy efficiency. It is difficult to target and engage with this segment with campaigns. Larger multi-site customers will be equally challenging to further engage, as many already have an existing energy efficiency program in place.

Q.33. Do you agree that information on current smart and advanced metering would be useful to non-domestic customers in the short term? Is there other information that could usefully be provided at the same time?

We believe that such information would be useful to non domestic customers in the short term. Any information must be clear and set out what smart metering will mean for these customers and the benefits that can be achieved.

As with the domestic sector, early communications must create a positive outlook to avoid negativity that could have an impact on roll-out.

We believe that short term communications must reflect and promote Government policy. Non domestic customers should be informed that the installation of smart meters is a mandatory roll-out across the country. If non domestic customers are aware that this is a Government backed initiative, we believe that access rates may improve.

Short term communications should be available to non domestic customers through a variety of channels specific to the sector, such as the Federation of Small Businesses, as SME's are typically hard to target and engage. We do not believe that simply e-mailing these customers will be particularly successful.

Finally, there must be alignment with the communications strategy in the domestic sector. We think there are clear synergies that should be used to maximise benefits – with common messaging, consistent language and complimentary timescales in both the domestic and non domestic markets.

We would urge DECC to be mindful that non domestic customers, will also be domestic customers in their homes, and, therefore will potentially receive two sets of communications, as a business and also as a domestic customer. Any confusion could cause consumer disengagement even before the roll-out starts.

Q.34. Should the central delivery arrangements proposed in Chapter 4 extend to micro-businesses? What are your views on any centralised activities focussing on micro-businesses alone?

EDF Energy believes that the proposed delivery arrangements should extend to micro-businesses. There is much work to be done in this area and EDF Energy looks forward to continuing to work with DECC over the coming weeks and months.

A key consideration is cost. Further detailed analysis is required to understand what the inclusion of micro-business customers will do to the cost of the CDB.

We have some concerns about how micro-businesses will be specifically identified (under the EU definition) for engagement. There will be a requirement to target customers with a specific consumption or certain turnover / number of employees, but these customers could cross a number of potential groupings that will also include other non-domestic customers that are not micro-businesses.

There are potential efficiencies that can be derived if the activities undertaken by the CDB are suitable for both domestic and micro-businesses, although the channels used to reach

them effectively may vary. This will reduce cost and ensure a consistent message is delivered. As previously stated, many micro-business customers will also be domestic customers.

Q.35. What changes might be required to the licence conditions at Appendix 2 to address the needs of the non-domestic sector?

We refer DECC to our previous views on the draft licence conditions.

Chapter 6 Enabling wider changes to the energy system and market

Q.36. What are your views on whether the Government should, in due course, alter energy efficiency incentives in the light of new opportunities arising from smart metering? How might any such incentives operate?

We believe that as we will have more interactions and interventions with our customers there are potentially opportunities for providing a more holistic approach. However, we do not support artificially joining up obligations, or prioritising delivery through inflexible regulatory interventions. Obligated parties will of course join up activity across workstreams in an effective manner, while ensuring cost effective delivery. Mandating requirements could impact on opportunities for innovation in delivering a number of initiatives efficiently.

We look forward to working with DECC and Ofgem in the coming months in this regard.

EDF Energy
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