



Department
of Energy &
Climate Change

Department of Energy & Climate Change

3 Whitehall Place,
London SW1A 2AW



www.decc.gov.uk



Our ref: FOI 14/0259

30 April 2014



Re: Freedom of Information Request – price freeze announcement

Thank you for your email of 10 February 2014 where you requested the following information:

- a) Copies of all correspondence between DECC Ministers and Energy UK, NPower, SSE, British Gas, Scottish Power, E.ON and EDF, (including emails and attachments) held centrally by the DECC Correspondence Team about energy prices since 1st July 2013.
- b) Copies of all correspondence between DECC Ministers and Energy UK, NPower, SSE, British Gas, Scottish Power, E.ON and EDF (including emails and attachments) held centrally by the DECC internal archive about energy prices since 1st July 2013.

We have considered your request under both the Freedom of Information Act (FOI) and the Environmental Information Regulations (EIRs), as some of the information you have requested does, in our view, fall within the definition of environmental information as stated in the EIRs.

The information which can be released is attached.

Some of the information has been withheld under the following exemptions of the FOI Act and exceptions of the EIRs:

s40 (Personal data)

s43 (Commercial interests)

The application of these exemptions to the information held within the scope of your request is discussed below.

FOI Section 40 & EIR 13(1) – personal data

Some of the information you requested is being withheld as it is personal data exempt under section 40 of the FOI Act and under Regulation 13(1) of the EIRs. FOI Section 40(2) and EIR 13(1) provide an absolute exemption (i.e. the public interest test does not apply) for information about identifiable individuals where this would breach the Data Protection Act 1998. Personal data of third parties can only be disclosed in accordance with the data protection principles. In particular, the first data protection principle requires that disclosure must be fair and lawful and must comply with one of the conditions in Schedule 2 of the Data Protection Act. We do not think that it is fair to release the names of junior members of staff or third parties and do not think that any of the relevant conditions apply.

FOI Section 43 & EIR 12(5)(e)– commercial interests

Some information within the scope of your request is being withheld as it is exempt under section 43(2) of the FOI Act. This provides that, subject to the public interest test, information is exempt, if its release would be likely to prejudice the commercial interests of any person, including the public authority holding it. To the extent that information is environmental information, it is being withheld under EIR regulation 12(5)(e). This exempts information where disclosure would adversely affect the confidentiality of commercial or industrial information where such confidentiality is provided by law to protect a legitimate economic interest.

There is a public interest in ensuring transparency in Government's relationship with industry. However, there are public interest considerations in favour of withholding the information in order to ensure that the commercial interests of external businesses are not damaged or undermined by the disclosure of information which is not common knowledge and which could adversely impact their ability to operate and compete in the market. We have also considered the impact that releasing this information would have on maintaining the trust and confidence between the Department and companies who engage with us. Disclosure of information in this case would make it less likely that companies would provide the Department with commercially sensitive information in the future. We consider the balance of the public interest lies in withholding this information.

Appeals procedure

If you are dissatisfied with the handling of your request, you have the right to ask for an internal review. Internal review requests should be submitted within two months of the date of receipt of the response to your original letter and should be addressed to the Information Rights Unit (foi@decc.gsi.gov.uk).

Information Rights Unit (DECC Shared Service)
Department for Business, Innovation & Skills
1 Victoria Street
London
SW1H 0ET

Please remember to quote the reference number above in any future communications.

If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner for a decision. The Information Commissioner can be contacted at: Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF.

[REDACTED]

[REDACTED]

From: Weston, Chris [REDACTED]
Sent: 02 December 2013 08:32
To: PS Michael Fallon (DECC Private Office Group)
Subject: British Gas energy bills to reduce by over £50

Dear Michael,

I wanted to let you know that British Gas has today announced that we are reducing our average household energy prices by 3.2%. Gas prices will reduce on average by 3.2% and electricity prices will also reduce on average by 3.2%.

The price reduction will come into effect on 1 January 2014, will apply to all customers whether on fixed or variable tariffs, and will reduce the average British Gas dual fuel bill by £41. An additional £12 customer rebate for the Government's Warm Home Discount (WHD) scheme means the average British Gas dual fuel customer will save £53 in 2014. Applying Ofgem's new consumption data, average dual fuel bills will fall to £1,229.

Our decision to reduce our prices follows the Government's announcement that it will seek to make changes to the Energy Company Obligation, and will introduce a rebate to customers to cover the cost of the WHD scheme. It also takes into account the agreement between the Government and electricity network companies to defer an element of electricity distribution costs in the period from April 2014 to March 2015. British Gas is passing on the benefits of these changes to our customers in full, and the proposed changes will remove the possibility of ECO contributing to any future price increases before summer 2015.

Energy efficiency remains the key mitigator against rising unit costs, helping to keep actual bills lower and to cut carbon emissions. British Gas fully supports the objectives of the ECO and Green Deal programmes, which work together to help people install energy efficiency measures in their home. We have mobilised quickly to deliver our ECO Obligation and we are a major Green Deal Provider, with a leading share of the market.

Nevertheless, given the cost of ECO is paid for by consumers through their energy bills, we welcome Government's recognition that changes to the scheme should now be made. These changes will allow us to help more people at lower cost. Changes should also be made to the Green Deal to encourage consumers to access this programme.

In the meantime, British Gas continues to do everything we can to help our customers keep their consumption down and reduce their energy bills. We install more energy efficiency, decentralised energy systems and smart meters, and provide more support for vulnerable customers than any other supplier. We will be giving 500,000 of our elderly and most in need customers an automatic discount of up to £60 over this coming winter, on top of the £135 that will be paid to many of these customers who qualify for the Warm Home Discount scheme.

We have created a short video showing how British Gas is using ECO funding to help communities across the country, which is available at the following link: [British Gas ECO Video](#).

I know that all our customers are concerned about the cost of energy, and hope our announcement today of a price reduction will be welcome news. A copy of our press statement is available at <http://www.centrica.com/index.asp?pageid=1041&newsid=2971> . Please get in touch at any time if you would like to discuss this further.

Best regards,

Chris Weston
Managing Director, British Gas

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Sent: 03 December 2013 08:40

To: PS Michael Fallon (DECC Private Office Group)

Subject: EDF Energy response to Government energy costs announcement

Dear Mr Fallon,

EDF Energy has announced that we expect to be able to maintain our price change of 3.9%, as a result of the Government's action on energy charges. Our price change, announced last month, was less than half the size of increases announced by our competitors, so our customers will not have to wait for the benefit of these reductions. In addition, 3.6 million of our customers will benefit from the Warm Homes Discount rebate, equivalent to a c1% further reduction.

We do not anticipate that EDF Energy's prices will rise again in 2014. This shows that customers benefit when policy-makers and energy companies work together.

I wanted to provide you with full details of our statement released today and also on Saturday, when the Government first announced their plans, which are copied below. If you have any questions about our position, I would be happy to discuss this with you by phone, and can be contacted on [REDACTED]

Best wishes,

Paul Spence

Director of Strategy and Corporate Affairs

2nd December 2013

EDF Energy customers won't wait to benefit from Government action on energy charges

- **EDF Energy held back impact of rising ECO costs ahead of today's announcement**
- **3.9% rise was less than half the increase of many major competitors**
- **Typical bills still cheaper than competitors who announced reductions today**
- **Customers to get £12 Warm Home Discount rebate worth around 1% of bill**

EDF Energy customers will not have to wait to benefit from changes to ECO charges announced by the Government. Unlike most other companies EDF Energy held down the impact of these rising

costs in advance. This means customers can be certain they are already receiving the benefit of today's ECO changes in full.

In addition, 3.6m EDF Energy customers will receive a £12 rebate following the Government's decision to move the Warm Home Discount into general taxation.

Customers from some competitors will have already started paying higher prices and must wait to see if they will be refunded following today's changes. Others will have to wait until their supplier announces its pricing plans to find out if and when they will get a reduction.

EDF Energy announced last month that it was holding back the full impact of rising costs and limiting its price rise to 3.9% - less than half the increases announced by competitors at the time. It was able to lessen the impact of higher charges in advance because it was confident that action could be taken to reduce costs.

Prices

EDF Energy has already said that it does not expect to increase prices further in 2014. Its new prices, which come into effect on January 3, will cost on average £1,300, for a typical dual fuel customer paying by direct debit.[i]

EDF Energy CEO Vincent de Rivaz said: "We did something different because we thought it was important to protect our customers from the full impact of rising costs.

"That decision means that EDF Energy customers get the full benefit of changes made today without the need to wait for us to take further action. Our action has been validated by the Government's announcement, but it is not the end of the story. There is more that can be done to bear down on rising costs. I have made further proposals which will help customers without compromising on our long term social and environmental ambitions. "

Further savings possible

Vincent de Rivaz first made proposals for policy-makers and energy companies to work together to bear down on costs on October 8. Today's announcement represents an important first step in that process, but there is more that can be done beyond 2014.

EDF Energy has outlined further proposals for savings:

EDF Energy believes it can use its growing experience in delivering the ECO programme to make it more cost effective in future years.

The company believes that a comprehensive review of the smart meter programme could save £1.8bn. For example, the programme targets 100% of homes, including those that are hard and expensive to reach. Reducing the target to 80% by 2020 would be more effective and affordable for customers. Reconsidering the obligation to provide an in home display would also save money.

Government and the regulator should work with transmission and distribution companies to see what can be done to limit the impact of network investment on future bills.

EDF Energy had the cheapest standard dual fuel direct debit prices of the major suppliers for all but three weeks in 2013[ii] and its Blue fixed priced deals come without exit fees – meaning customers can leave for free at any time.

The company remains committed to helping vulnerable customers and has been on track in delivering its ECO target. Less than a third of the way through the delivery timetable, EDF Energy had completed 34% of its overall ECO target.[iii]

Eligible low income customers can also benefit from the company's Trust Fund which has paid grants to 26,000 people to help clear household debts and a free money advice service run by the Citizens Advice Bureau.

In addition the Warm Home Discount worth £135 is expected to benefit 246,000 EDF Energy customers in 2014/5, an annual increase of 34%.

ENDS

Footnotes

[i] Based on a national average of regional prices for dual fuel customers with typical consumption and paying by monthly direct debit. Typical consumption as defined by Ofgem is 3,300 kWh electricity and 16,500 kWh gas consumption and 5,000 kWh of electricity for Economy 7 meters.

[ii] This figure is based on a national average of regional prices for customers with typical consumption and paying by monthly direct debit. Typical consumption as currently defined by Ofgem is 3,300 kWh standard electricity and 16,500 kWh gas consumption and 5,000 kWh of electricity for Economy 7 meters. Ofgem have recently reviewed the typical domestic consumption value and from the 1 January 2014 a new reduced value will be used; 13,500kWh gas and 3,200kWh standard electricity. Major suppliers are: British Gas, SSE, Scottish Power, Npower and E.ON.

[iii] As detailed within Ofgem's Quarterly Annex: Energy Company Progress published on the November 8, EDF Energy is well placed to deliver its ECO targets. Based on weighted assumptions between programmes, as at the end of August 2013, EDF Energy was 34% complete against the ECO at a point whereby 30% of allowable time had elapsed.

30 November, 2013

EDF Energy's decision to hold back full impact of rising costs validated by confirmation of Government action on energy charges

- **EDF Energy led the way by anticipating action on costs**
- **Confirmation of savings means 3.9% price rise not expected to change**
- **All customers due to benefit from move on Warm Home Discount funding**
- **Welcome first steps but action on rising costs must continue**
- **EDF Energy invested £3.7bn in UK over last three years, making it the nation's largest investor in electricity supply and generation**

EDF Energy's decision to hold back the full impact of rising costs earlier this month has been validated by tonight's confirmation that the Government will take action on energy charges. EDF Energy was the only major energy company to lessen the impact of higher charges in advance because it was confident that action could be taken to reduce costs.

Following this news, EDF Energy expects to be able to maintain its lower price rise of 3.9%^[i], as anticipated. That decision left customers with bills £80-96 lower than major competitors who had

announced price increases. The company looks forward to hearing more detail from the Government, but does not anticipate that EDF Energy's prices will rise again in 2014. Customers should expect other energy suppliers to follow EDF Energy's lead by significantly lowering their prices.

All of EDF Energy's customers are likely to benefit from the decision to move the Warm Home Discount onto general taxation.

The comments from the Prime Minister and Deputy Prime Minister show that customers benefit when policy-makers and energy companies work together. EDF Energy believes that both groups must continue to bear down on costs in the future.

EDF Energy CEO Vincent de Rivaz first made proposals for joint action with the Government to bear down on costs on October 8.

These latest comments on reducing costs represent an important first step in that process, but there is more that can be done beyond 2014. EDF Energy believes that further experience in delivering the ECO programme^[ii] will lead to opportunities for greater efficiency in its delivery. It is also possible to roll out the smart meter programme at a lower cost. Work is needed to limit the impact of network investment on bills in the future.

EDF Energy CEO Vincent de Rivaz said: "We led the way in limiting price rises for customers because we were confident that action could be taken to bear down on costs. This announcement shows it was the right approach and that customers benefit when policy-makers and energy companies work together.

"These benefits have not come at the expense of vulnerable customers or by scaling back long-term environmental and social ambitions. This announcement is a positive start to the work to examine all costs which must continue. It is important that energy firms, politicians and consumer groups carry on working together for the sake of customers."

This action to lessen the impact of rising costs will also be achieved without affecting EDF Energy's investment in British jobs and infrastructure.

EDF Energy is the largest investor in electricity supply and generation in the UK, spending £3.7bn in the last three years alone. This investment supports thousands of jobs here in Britain. EDF Energy has been able to extend the lives of existing power stations, build vital new power generation and prepare to restart the UK's nuclear programme.

EDF Energy had the cheapest standard dual fuel direct debit prices of the major suppliers for all but three weeks in 2013^[iii] and its Blue fixed priced deals come without exit fees – meaning customers can leave for free at any time.

The company remains committed to helping vulnerable customers and has been on track in delivering its ECO target. Less than a third of the way through the delivery timetable, EDF Energy had completed 34% of its overall ECO target.^[iv]

Eligible low income customers can also benefit from the company's Trust Fund which has paid grants to 26,000 people to help clear household debts and a free money advice service run by the Citizens Advice Bureau.

In addition the Warm Home Discount currently worth £135 is expected to benefit 246,000 EDF Energy customers in 2014/5, an annual increase of 34%.

Footnotes

[i] EDF Energy announced on November 12, 2013, that it would increase its standard variable prices by an average of 3.9%, with an effective date of January 3, 2014.

[ii]ECO, the Energy Company Obligation is a government scheme to insulate homes to make them more energy efficient. The cost of the scheme is recovered through domestic customers' gas and electricity bills.

[iii] This figure is based on a national average of regional prices for customers with typical consumption and paying by monthly direct debit. Typical consumption as currently defined by Ofgem is 3,300 kWh standard electricity and 16,500 kWh gas consumption and 5,000 kWh of electricity for Economy 7 meters. Ofgem have recently reviewed the typical domestic consumption value and from the 1 January 2014 a new reduced value will be used; 13,500kWh gas and 3,200kWh standard electricity. Major suppliers are: British Gas, SSE, Scottish Power, Npower and E.ON.

[iv] As detailed within Ofgem's Quarterly Annex: Energy Company Progress published on the November 8, EDF Energy is well placed to deliver its ECO targets. Based on weighted assumptions between programmes, as at the end of August 2013, EDF Energy was 34% complete against the ECO at a point whereby 30% of allowable time had elapsed.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EDF Energy

EDF Energy is one of the UK's largest energy companies and the largest producer of low-carbon electricity, producing around one-fifth of the nation's electricity from its nuclear power stations, wind farms, coal and gas power stations and combined heat and power plants. The company supplies gas and electricity to 5.8 million business and residential customer accounts and is the biggest supplier of electricity by volume in Great Britain.

EDF Energy's safe and secure operation of its eight existing nuclear power stations at sites across the country makes it the UK's largest generator of low carbon electricity. EDF Energy is also leading the UK's nuclear renaissance and has published plans to build four new nuclear plants, subject to the right investment framework.

These new plants could generate enough low carbon electricity for about 40% of Britain's homes. They would make an important contribution to the UK's future needs for clean, secure and affordable energy. The project is already creating business and job opportunities for British companies and workers.

Through Our Sustainability Commitments, EDF Energy has developed one of the biggest environmental and social programmes of any British energy company.

In 2013 EDF Energy received seven "Big Ticks" in the Business in the Community (BITC) Responsible Business Awards, including a Platinum Big Tick in BITC's Corporate Responsibility Index. EDF Energy also received the Environmental Leadership for Behavioural Change Award in the national 2013 Environment and Energy Awards and was highly commended in the first ever pan European Corporate Social Responsibility Awards scheme for its Sustainable Schools programme – the Pod.

EDF was an official partner and the official electricity supplier to the London 2012 Olympic and Paralympic Games. The company supplied electricity to the Olympic Park which was backed by low-carbon sources: 80% from nuclear and 20% from renewable generation.

EDF Energy is part of EDF Group, one of Europe's largest power companies. The company employs around 15,000 people at locations across the UK.

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2nd December 2013

Sam Laidlaw
Chief Executive


Rt Hon Ed Davey MP
Secretary of State
Department of Climate Change and Energy
3 Whitehall Place
SW1A 2AW

Centrica plc
Millstream
Maidenhead Road
Windsor
Berkshire SL4 5GD



Ed Davey

Thank you for your letter regarding the Government's proposed changes to the ECO order and the voluntary deferral of some revenues by the DNO's. I fully understand that changing a programme part way through is never easy and has required some difficult trade-offs to be made. You should be congratulated on achieving the difficult task of ensuring that the aims of decarbonisation and protecting the fuel poor have been preserved whilst improving the design of the programme to make it more affordable and inclusive. This will allow us to help more people with energy efficiency at lower cost.

I would like to thank you personally,  and all the team at DECC who have been involved for the high standard of professionalism with which the discussions have been held and look forward to continuing the engagement during the consultation process. Our £53 price cut is, as you know, based on the assumption that the Government's proposed changes will be implemented in full and at the earliest opportunity. Nevertheless I am pleased to say that British Gas is taking a leading position and passing on these savings to customers as soon as possible.

Yours sincerely

