

Written evidence submitted by EDF

Public Accounts Committee call for evidence – Energy Bills Support

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewables, including onshore, offshore wind and solar generation, and energy storage. With around six million electricity and gas customer accounts, including residential and business users, EDF aims to help Britain achieve net zero by 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.

EDF welcomes the opportunity to contribute to the Public Accounts Committee's call for evidence regarding the Government's energy bills support schemes for consumers and businesses, focused on the Energy Price Guarantee (EPG) and the Energy Bills Relief Scheme (EBRS). EDF would like to acknowledge that the Government has faced an unprecedented challenge, and acted quickly and pragmatically to launch these schemes to deliver vital support to energy customers. We note at the time of this submission, work on changes to the EPG and the replacement of the EBRS with the Energy Bills Discount Scheme (EBDS) is underway. EDF will continue to work collaboratively and constructively with Government to ensure our customers get the right support in 2023 and beyond into 2024.

Our key points in summary:

- From the outset, the Government has adopted a cooperative approach with suppliers regarding the development of these schemes, and has worked at speed, broadly demonstrating pragmatic decision-making.
- The Government has been flexible when faced with deliverability challenges for suppliers, and has sought to share details of its thinking in a transparent fashion.
- However, during the operation of these schemes, and particularly when addressing change, the Government has on several occasions fallen short, introducing overly complex requirements, or instigating change without appropriate acknowledgement of supplier technical and resource limitations.
- We are highly concerned that from April 2023 when customers will no longer be receiving support from the EBSS, and the level of the EPG discount is reduced, that even more customers will find themselves struggling to afford their energy bills. The single most impactful thing the Chancellor could do to support and protect all customers is to postpone the increase to the EPG and keep it at £2,500 or lower from April 2023, while working with industry to design and implement better targeted support for those customers who need it most, such as a social tariff. It is likely the Chancellor can reduce the level of support Government provides from July without detriment to customers.

Please see EDF's detailed comments regarding the Committee's areas of focus below.

1. Scheme design and operation in practice

- 1.1. The EPG scheme continues to operate in good fashion. In part, this is a result of the Government's initial decision to adopt a flat rate discount approach which has minimised the complexity of applying the discount to consumer tariffs to date. EDF would welcome a similar approach being repeated for a social tariff in 2024.
- 1.2. However, the Government could be doing more to support customer understanding of the EPG scheme, particularly given the impending reduction of the discount (in line with the Autumn Statement), and the other recently proposed changes (as referenced in 1.3 and later in our evidence). Such government-led communication is also required to support the replacement of EBRS with the significantly less generous EBDS.
- 1.3. We note that the Government has recently proposed modifications to the EPG scheme for April 2023 which will add complexity to the application of the discount. In particular, the Government has proposed introducing the ability to review the discount rate on a monthly basis, rather than retain the current quarterly review frequency which reflects Ofgem's review of the Default Tariff Cap. These changes will not only increase the complexity of scheme operation for suppliers, but they will also negatively impact customer understanding and experience of the scheme by undermining any certainty or clarity around what support a customer can expect to receive.
- 1.4. As per our submission to the NAO report on the same topic, with regard to EBRS, we have noted differing degrees of customer confusion regarding the EBRS between small/medium customers, and larger customers. While the latter is working well, the scheme operation for the former group can be confusing and can lack necessary clarity for customers.
- 1.5. We additionally note the challenges created by the Government's approach to data and monitoring for the EBRS in our evidence below. As we previously noted in our comments to the NAO, the process for determining and defining data requirements appears quite ad hoc, overly complex, and not consistent with the necessary or available data required to achieve the Government's desired outcomes.
- 1.6. If the EPG changes from April (and later in 2023), and the EBDS is introduced, Government must ensure that scheme rules remain clear, simple, and are consistently applied.

2. Government's oversight of progress

- 2.1. EDF has welcomed the Government's collaborative approach to scheme development from the outset for the EPG and EBRS. In particular, during the development process, the Government set out to listen to suppliers' advice on ensuring functional simplicity and ease of delivery of scheme requirements.
- 2.2. However, we have noted that as the Government has sought to make a number of changes and refinements to these schemes in recent months, EDF and other suppliers have been afforded less

opportunity to contribute meaningful support to Government decision making (see section 4 below). In particular, we note that reporting and data analysis resources have been hard pressed to develop solutions for complex and detailed data requirements at short notice, and on occasion, with limited opportunity to engage with the Government on the details before decisions are announced.

- 2.3. In some cases, following engagement with suppliers, the Government has released proposed changes with significant differences to the conclusions reached in previous discussions. For example, the current proposed modification to the EPG scheme document regarding unbilled volume. During supplier engagement, prior to the release of the modification proposal on 10 February, the Government and suppliers agreed on a pragmatic approach. However, the subsequent proposal does not reflect the agreed approach, and has added significant barriers to deliverability and could have serious financial implications for suppliers.

3. Estimated costs

- 3.1. EDF is working with Government to ensure schemes are implemented and operated in an effective and efficient manner, which delivers value for money for taxpayers.
- 3.2. We note that both EPG and EBRS have required suppliers to deploy significant resources to ensure that scheme requirements are delivered in a robust manner. Both EPG and EBRS entail a significant ongoing supplier resourcing effort, in addition to relevant system change costs, pricing deployment, monitoring, customer communications, and other costs. In particular, the level of detail and frequency of scheme reporting, and ad hoc data requests to support the development of scheme changes, have produced significant demand for data management resource across our business units. This has been reflected in the comments from other suppliers during Government engagement sessions.
- 3.3. A comprehensive view of EDF's estimated ongoing costs is not available at the time of this response.

4. Risks to successful implementation

- 4.1. As the Government has sought to refine the EPG and EBRS, and significantly increased the detail required by monitoring procedures, this has created challenges for EDF and other suppliers. In particular, we note that reporting and data analysis resources have been hard pressed to develop solutions for complex and detailed data requirements at short notice, and on occasion with limited opportunity to engage with the Government on the details.
- 4.2. For example, the EBRS claims process is well established, but the Government has sought to introduce detailed additional requirements for these supplier submissions at very short notice. While EDF recognises the need for the Government to appropriately monitor the distribution of funding to suppliers, this must remain proportionate, both in terms of the level of detail required, and the timescale to which suppliers are expected to deliver.

- 4.3. This has a particular impact on the demand faced by these data resources as, for EDF, the same teams are focused on delivery of requirements and change across all the current government schemes, simultaneously.
- 4.4. Additionally, we note in reference to EPG, that short notice changes to requirements can present a particular challenge to suppliers when answering requirements to provide customers with appropriate notice of the impacts on their energy costs. Suppliers are required to answer the notification requirements of the supply licence and EPG scheme requirements simultaneously. For the October Default Tariff Cap review and EPG launch, Ofgem was obliged to produce a regulatory expectations letter (27 September) to clarify for suppliers how best to balance these requirements in customers' interests, given the extremely short period between the delivery of the final scheme parameters and the launch. Without sufficient notice to deliver pragmatic scheme changes, suppliers face repetition of this issue.
- 4.5. In some instances, the Government has, however, been receptive and demonstrated flexibility in subsequent discussions with EDF where we have raised resource challenges and technical limitations in relation to these changes.

5. The steps government is taking to manage those risks

- 5.1. As we note in 4.5, the Government has demonstrated a degree of pragmatism and flexibility when faced with challenges from EDF and other suppliers. However, its approach continues to require significant and complex scheme changes, and detailed iterative extensions to monitoring requirements to be delivered at speed with only short periods for development.
- 5.2. We note the Government has broadly sought to be transparent regarding the questions potential changes pose, and has shared its thinking and the basis of proposals with suppliers, providing at least some opportunity to comment.
- 5.3. This being said, there have still been instances with both EPG and EBRS where changes have been proposed without appropriate prior discussion with suppliers. For example, the current proposal to enable monthly changes to EPG discount rates, which was proposed alongside other scheme document modifications without prior notice or discussions with suppliers, and could have significant ramifications for customers and suppliers. In the context of EBRS, the late introduction of changes for the Qualified Financially Disadvantaged Customers (QFDC) measures created more complexity through the need to identify relevant customers and adjust tariffs via a separate calculation to the main scheme discount.

6. The options government is considering for future schemes

- 6.1. We are highly concerned that from April 2023 customers will no longer be receiving support from the EBSS. If the Chancellor decides to press ahead with plans to cut the level of the EPG discount in April even more customers will find themselves struggling to afford their energy bills. The single most impactful thing the Chancellor could do to support and protect all customers is to postpone

increasing the EPG from £2,500 from April 2023, while working with industry to design and implement better targeted support for those customers who need it most, such as a social tariff.

- 6.2. EDF supports the creation of a social tariff which will deliver support to customers via energy bills. Support must be targeted to limit costs on taxpayers, and support the most vulnerable. Government should lead the targeting activity, using government held data, to ensure consistency (across suppliers) and given this is a matter of social policy (as per 6.8 below). A single scheme should be mandated across all suppliers to ensure equal treatment of customers and ensure fair competition, and designed with long-term sustainability at the core, taking into account Net Zero, energy efficiency, and existing regulation such as the Default Tariff Cap. A social tariff should be funded by general taxation in the short term to avoid further burden on energy customers.
- 6.3. Via BEIS (now the Department for Energy Security and Net Zero), the Government has sought to begin engaging with EDF (and we expect other suppliers) on consumer protection for April 2024. We note from our initial conversations, Government appears to be rightfully mindful of the practicalities of delivering support to customers in a relatively short period, and has demonstrated its initial attention to key aspects of future support, e.g. deliverability for suppliers, methods and data availability for targeting specific customer cohorts, potential funding models for a future scheme.
- 6.4. Without prejudice to our preference for a social tariff (see 6.2), a key priority for future support is ease of access for customers. Broadly speaking, the simple choice is between a per unit discount approach (e.g. EPG) or a fixed payment approach (e.g. EBSS, or Warm Home Discount). The Government must consider which can most effectively deliver the required support to consumers and businesses in a sustainable, cost-effective manner.
- 6.5. We recognise that in the domestic market, the EBSS has been the simpler model for customers to understand (in comparison to EPG). However, we note that this has been accompanied by high levels of media attention for the scheme which has driven significant levels of customer contact to suppliers. Coming at a time of unprecedented contact driven by understandable public concern about energy, this has strained suppliers' ability to respond promptly to customer queries, despite significant reinforcement of customer-facing resources by EDF, and we expect by other suppliers.
- 6.6. Additionally, while the delivery of EBSS payments to consumers is relatively low complexity, suppliers have been required to build these new delivery and support processes largely from scratch. In comparison, suppliers have implemented the Government's EPG scheme by applying a discounted unit rate to existing tariffs, building on the application of the Default Tariff Cap administered by Ofgem.
- 6.7. We note, while the EPG-style approach may be less well understood by consumers, suppliers are broadly able to utilise existing business processes to deploy tariff prices which deliver the scheme discounts, for fixed periods of supply (currently quarterly, in line with Ofgem's regular Default Tariff Cap review frequency). As such, consumers automatically receive the benefit of the Government

support in seamless fashion, and receive regular notification of their projected costs, in line with scheme and supply licence requirements. This can be reflected by a social tariff.

- 6.8. Alongside proposed changes to the EPG from April 2023 (which remain unresolved at the time of this response), we note the Government is currently considering options to target future support to specific customer groups, including for the EPG (via a volumetric cap), and the EBRS successor scheme, the EBDS. Any targeting or support eligibility criteria the Government sets in future must be simple, clear, and consistently deliverable. EDF has been clear in its preference for the Government to hold responsibility for data-matching to identify relevant customers. Work on Government schemes such as Warm Home Discount, and potentially applying a volumetric cap to the EPG, has demonstrated that, although suppliers hold some data on consumer vulnerability and financial insecurity, Government agency data (e.g. DWP, HMRC) is much better suited to identify the relevant consumers most in need of support.

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