

Andrew Wright
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16 March 2011

Dear Andrew

EDF Energy's Commitments to Small Suppliers

EDF Energy recognises the importance of competitive entry to the efficient operation of the GB retail electricity market, and understands the difficulties faced by small suppliers, particularly in terms of the real and perceived challenges they face in securing their power needs from the developing wholesale market.

This letter sets out five key commitments that EDF Energy is willing to make to small suppliers, which we believe will help address the concerns of these players.

A key feature of our commitments is that EDF Energy will enter into discussions with any small supplier regarding the provision of an energy purchasing service. Subsequent provision of such a service would be subject to reaching a mutually beneficial agreement which would involve the small supplier using EDF Energy to access the market. This would avoid the need for the supplier to trade directly in the wholesale market, potentially reducing its price risk exposure and addressing any concerns regarding the availability of small clip sizes.

We have informally tested our commitments on some small suppliers and have met with a positive response.

We will be publishing these commitments on our website, and we would encourage Ofgem to refer to them in its expected Spring liquidity assessment document, in order to help us build awareness of them. We also ask that this letter and its attachment are posted on Ofgem's website.

If you have any questions on our commitments then please do not hesitate to contact Paul Delamare on 020 7752 2187 or myself.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "D. Linford".

Denis Linford
Corporate Policy and Regulation Director

Attachment

EDF Energy Commitments to Improve Liquidity and Contestability of the GB Electricity Market

Commitment 1: To make dealing with us straightforward

In order to promote open and transparent customer relations we undertake to make a number of improvements in the way we communicate and engage with new and existing small independent suppliers (small suppliers¹). We will clearly publish on our website contact details that small suppliers can use to gain access to a dedicated resource that will assist them in navigating the contractual framework that governs the trading relationship between EDF Energy and small suppliers.

Commitment 2: To offer energy purchasing/aggregation service

EDF Energy will enter into discussions with any small supplier regarding the provision of an energy purchasing service. Subsequent provision of such a service would be subject to reaching a mutually beneficial agreement which would involve the small supplier using EDF Energy to access the market. This would avoid the need for the supplier to trade directly in the wholesale market, potentially reducing its price risk exposure and addressing any concerns regarding the availability of small clip sizes.

Commitment 3: To provide an initial line of credit where appropriate

We will assess all potential counterparties on a non-discriminatory basis in terms of available lines of credit. Such assessment will be carried out in line with our credit risk management policy. The policy allows for credit lines to be granted, provided sufficient financial and company information is made available to us in order to perform a full credit review of the potential counterparty. Furthermore, we undertake to be proactive in the provision of feedback to applicants regarding how they have been assessed against our standard credit checking criteria.

Commitment 4: To offer to transfer qualifying OTC trades to exchanges for clearing

We will agree to the clearing of qualifying bilateral and OTC trades transacted between EDF Energy and a small supplier via exchanges (e.g. NZEX), subject to the agreement with the counterparty and the exchange. Although we will provide where appropriate an initial line of credit under Commitment 3 above, we recognise that small suppliers may prefer to operate under exchange credit rules rather than establish a credit line with EDF Energy.

Alongside this commitment, we will continue to work with the power exchanges with the aim of bringing forward improvements which encourage access and participation by

¹ Small suppliers refer to licensed electricity suppliers that benefit from exemptions under the CERT, CESP and FIT programmes, as amended from time to time

smaller suppliers. Potential improvements could include making access easier through 'light membership' arrangements and improved fees structure, developing a comprehensive action plan for liquidity and credit issues, and proactively seeking better representation of smaller players in market governance arrangements.

Commitment 5: To put in place simplified trading agreements

Once we have received all the information we need, and subject to the applicant meeting our standard counter-party checks, we will undertake to agree our standard GTMA terms with counterparties within 21 working days.

In conjunction with this commitment, we are also willing to offer sole trade notification services free of charge to small suppliers in respect of any trades with EDF Energy. This would have the effect of reducing the market participation costs for small suppliers by avoiding the need to invest in the necessary IT systems or pay the fees currently charged by third party notification agents.

In addition, we commit to supporting any industry initiative to produce an appropriate 'light touch' GTMA agreement for small players in order to improve wholesale market participation.

EDF Energy
March 2011