



Mr Mick Bates AM
Chair, Sustainability Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

10 November 2008

Dear Mr Bates,

Thank you for your letter of 27 October following the recent meeting of the Sustainability Committee in relation to its inquiry into fuel poverty in Wales. I am pleased that you found my evidence helpful to the process of your enquiry.

At the meeting you requested further information about EDF Energy's fuel poverty expenditure in Wales, together with further details of our position on the proposal for a mandatory social tariff and background to recent price announcements. I am pleased to provide this information below.

EDF Energy supplies gas and electricity to over 5 million customers in the UK predominately in London, the South East and South West of England, of which around 35,000 gas and electricity accounts are in Wales. We have worked hard to limit the impact of price rises and are proud of the lead we have taken to support our vulnerable customers.

As I mentioned during my evidence, EDF Energy was the first energy company in the UK to launch a social tariff targeted at low-income customers including the elderly. Called Energy Assist the tariff was launched in April 2006, and provides EDF Energy's 'most in need' customers in the UK with a 15% discount below our standard tariffs, regardless of their method of payment. In Wales we have 382 customers who receive this tariff, just over 1% of our customer base.

EDF Energy would support the introduction of a mandatory social tariff as we believe that it is the best mechanism to ensure a level playing field between energy suppliers, and that it would be more appropriate for Government to distribute social tariff resources as they are best placed to identify those households in greatest need. We also believe that having one type of mandatory social tariff would be the best way for vulnerable customers and their advisors to be clear as to the support available to them, rather than having to compare very different propositions across different suppliers.

As highlighted in my written evidence to the Committee, since 2003 EDF Energy has also supported customers struggling with debt through our EDF Energy Trust Fund. This makes awards to help customers in serious debt make a fresh start. Since its inception, the Trust has made a total of 62 awards to customers in Wales with a total value of around £34,340.

In recent months EDF Energy has worked closely with the Government, as it prepared the package of measures announced in September to help those facing difficulties with their bills. We think that the Home Energy Saving Programme is an important step to provide permanent support to those struggling to pay their fuel bills. This programme will see EDF Energy invest up to an additional £100 million in energy efficiency measures over the current Carbon Emissions Reduction Target, or CERT period (2008-2011), on top of the £215 million EDF Energy has already committed. Of this sum, £139 million will be spent on measures for priority vulnerable customers.

An analysis of the predecessor to CERT, EEC2 (2005-2008) measures installed in Wales as part of the supplier obligation shows that we installed nearly 7000 measures in priority and non-priority group customer households. This equates to an investment of around £3.4 million during this period.

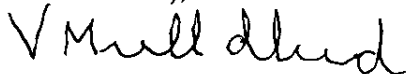
Regarding your queries on our price rise announcements, these have been driven by three factors. First and by far the most significant element is the impact of wholesale prices of energy which have doubled over the past year. Second, the distribution costs of transporting and metering energy have also risen. Finally there have been significant cost increases from meeting our environmental obligations, including a major expansion of the Government's energy efficiency scheme (CERT) which we fully support, but which has doubled from 2008.

When we announced our July price rise, we made clear at that time we were only passing on some of the rise in wholesale energy costs which had increased by up to 70% in the first half of the year. In order to minimise the price change effect on our customers, we buy our energy supplies many months in advance. As a result, we would need a much longer period of sustained lower wholesale prices to be in a position to reduce retail tariffs.

Please be assured that EDF Energy has increased its dual fuel prices by less than any other major competitor since January 2006. Our last price change in July was one of the lowest increases in the industry. In other words, we have sought at all times to minimise the impact of rising prices on our customers and optimise our competitiveness in the market.

I hope this information is helpful. If you would like any further information please do of course ask your officials to contact my colleague Simon Ashwell, on 020 7752 2173 or via email on simon.ashwell@edfenergy.com.

Yours sincerely,

A handwritten signature in black ink that reads "V Mulholland".

Valentine Mulholland