

EDF Energy Improves Regulatory Cost Reporting

Capgemini collaborates with UK electricity distributor to improve the regulatory process considerably and put the company in a better position for the forthcoming Price Control Review

The Situation

EDF Energy own and manage the electricity distribution network covering the south and east of England, including London. With nearly eight million connected customers, EDF Energy is the largest Electricity Distribution Network Operator (DNO) in the UK.

With electricity distribution being an effective monopoly, the regulator (Ofgem) sets revenues for five-year periods through a Distribution Price Control Review (DPCR). This is based on financial and non-financial information on performance and investment plans. To ensure uniformity across all DNOs, the regulator enforces precise rules for treatment of costs and requires detailed information reported annually.

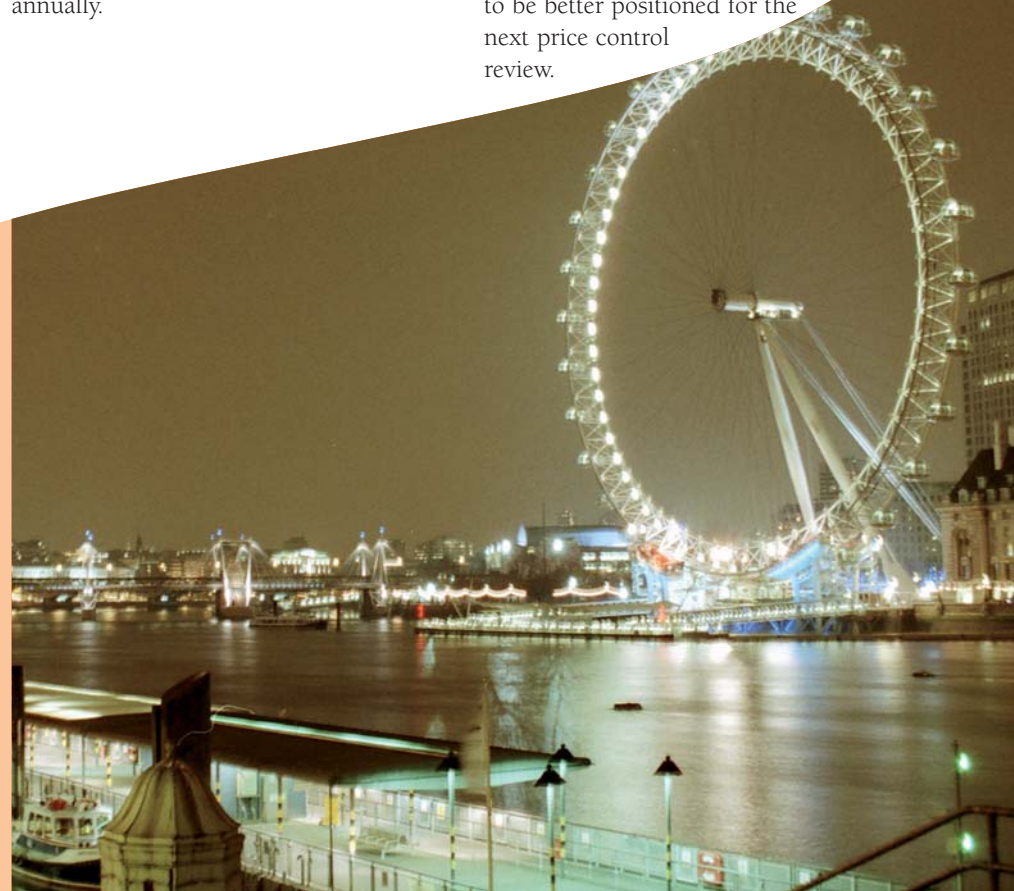
To achieve a robust revenue settlement with Ofgem, DNOs need to:

- achieve compliance by applying rules consistently with incorrect cost classification leading to direct financial loss
- understand, and take account of regulatory contract targets when making decisions with failed targets leading to financial penalties and loss of reputation
- have a clear understanding of information submitted, and be able to explain variances, from plan or for previous years. Failure could lead to loss of reputation that would impede the DNO's negotiating position with the regulator.

EDF Energy wanted to strengthen its position on all three fronts in order to be better positioned for the next price control review.

“Everyone across the business is switched on to the importance of Regulatory Reporting – a real lasting legacy of this project.”

Paul Delamare
Head of Regulation and Compliance
EDF Energy, Networks Branch



The Solution

EDF Energy sought close collaboration with Capgemini to help deliver a solution. The decision was based on the latter's strong project management skills coupled with in-depth industry knowledge and strong credentials of finance and compliance strategies. In addition, Capgemini demonstrated skills to manage change across multiple stakeholders supported by effective communications, benefits tracking and design authority.

The Result

Capgemini helped EDF Energy gain greater control of its regulatory reporting, supporting the wider transformation program that it was undertaking. This was achieved by making process and system changes and building confidence in the process of compliance with regulatory reporting requirements and definitions.

One of the strongest benefits acknowledged by EDF Energy was a significantly increased level of awareness of the importance of regulatory alignment within a wider circle of senior managers. This has laid a solid foundation for EDF Energy to achieve significantly larger longer-term benefits.

How EDF Energy and Capgemini Worked Together

Capgemini setup and led a joint team to streamline regulatory reporting and embed the information into day-to-day decision making. This was accomplished via three phases:

Phase 1: A workshop-led approach to identify the lessons learnt, discuss issues and develop initial solution ideas. This enabled business-wide engagement with the regulatory agenda.

Phase 2: Workstream-based approach to develop detailed solutions and implement wide ranging changes to systems and processes, and establish longer-term change management mechanisms. Key deliverables included:

- regulatory Dashboard to track performance against regulatory strategy

- controls in SAP to improve data quality
- alignment and accurate business reporting of direct regulatory costs, ensuring compliance
- consistent data across regulatory returns and robust report development processes
- established Reporting Consultation Group to provide on-going regulatory guidance.

Phase 3: Development and rollout of a Business and Financial Coding Guide to enable consistent focus on regulatory agenda and accurate data capture for regulatory reporting. Seamless transition to "Business as Usual" was effected via a program to sustain the momentum.

The next Distribution Price Control Review will be based on the information and performance for financial years 2006-07 and 2007-08. Robust information for this period along with good explanations will be a critical foundation for the review and the resulting settlement.

Having achieved more streamlined regulatory reporting and wide awareness of regulatory requirements across the business, the project puts EDF Energy in a stronger position to deliver a rigorous basis for discussion with Ofgem during the next review. This project has been fundamental to establishing a robust platform for the next Price Control Review for EDF Energy.



About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of Consulting, Technology and Outsourcing services, has a unique way of working with its clients, called the Collaborative Business Experience. Backed by over three decades of industry and service experience, the Collaborative Business Experience is designed to help our clients achieve better, faster, more sustainable results through seamless access to our network of world-leading technology partners and

collaboration-focused methods and tools. Through commitment to mutual success and the achievement of tangible value, we help businesses implement growth strategies, leverage technology, and thrive through the power of collaboration. Capgemini employs approximately 68,000 people worldwide and reported 2006 global revenues of 7,7 billion euros. More information about our services, offices and research is available at www.capgemini.com

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In collaboration with



EDF Energy is one of the largest energy companies in the UK. It employs over 12,000 people, is the largest electricity supplier for London, the south east and south west of England, and supplies

energy to around 5.1 million customers.

It owns and manages the electricity distribution network covering the south and east of England and operates coal and gas-fired power stations, private CHP plants and wind farms.

EDF Energy is a wholly owned subsidiary of the EDF SA, one of Europe's largest energy groups.