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Dear Mark,

Ofgem Simplification Plan 2014/2015

Thank you for your letter dated 13 February 2014 inviting views on Ofgem's Simplification Plan 2014/2015. We set out our thoughts on various areas below.

Standards of Conduct

We welcome the introduction of Standards of Conduct; we feel that they have helped provide suppliers with more focus for changes and operational development. Their introduction also coincides with our own Customer Transformation Programme, the aim of which is to place us in the industry leading position for customer experience by the end of 2015.

Although the Standards of Conduct have an important part to play in the regulatory landscape, they should not perform a backstop function to be used by Ofgem in scenarios in which specific errors by suppliers cannot be pinpointed.

Further, the principles underpinning the Standards of Conduct (such as fairness) should not be used as a substitute for providing robust guidance and clarity on licence conditions and supplier obligations. Equally, further guidance on the Standards of Conduct themselves should continue to be developed and shared with suppliers.

Licence conditions and guidance

It would aid suppliers, and by implication the industry, if Ofgem were to publish detailed regulatory guidance on the interpretation of licence conditions. This is something that would help improve compliance across suppliers. There are precedents for Ofgem publishing guidance: it did so recently with the Standards of Conduct and it has continued to maintain published supplier guidance manuals for both ECO and the FiT scheme. It would also be very helpful if Ofgem were to provide detailed guidance outlining its policy intent in answer to specific questions from suppliers.

Consultations and requests for information

We fully appreciate the role of the consultation process and its value to regulators as a tool for guiding future work. However, sometimes Ofgem

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runs several consultations concurrently, which can be difficult for suppliers to cope with. Working on fewer consultations that are focused, with clear direction would be more effective and reflect better resource efficiency for both Ofgem and suppliers.

In relation to the above it would be helpful if Ofgem's Better Regulation team could ensure that consultations, information requests and any planned changes do not conflict with one another. As it relates to timing, Ofgem could have more regard for both peak seasonal and public holiday periods in deciding when to issue consultation papers and information requests. This is to ensure that suppliers have adequate staff and resource available during the tight timeframes for working on responses to Ofgem.

Other suggestions would be a consultation timeline or planner that displays all of the consultations open at any time and regular updating of the pages on upcoming consultations. Details of upcoming consultations could be integrated into the consultation timeline or planner suggested above. This timeline or planner would increase transparency as well make clear Ofgem's current priorities.

With regard to requests for information, we would urge Ofgem to provide as much notice as possible of these prior to issue, as the work required to respond can be very resource intensive and early planning can assist suppliers in resource management. Sometimes Ofgem does provide an early alert, as was the case recently with an information request on the Debt Assignment Protocol, and this was appreciated.

Also, it would be welcome if Ofgem could help ensure that proposed changes, both those proposed by Ofgem and others (such as DECC), do not clash with each other in terms of time and resources constraints. For example, a number of changes are due to be delivered this year and a more aligned and coordinated approach would be helpful. It requires a great deal of the time, effort and resource to effect system changes, with long lead times. We believe that more consideration needs to be given to this.

Document simplification

We believe there is some work for Ofgem to do in helping make their documents more accessible, both in terms of making them more concise and the inclusion of better summaries in plain and intelligible language.

There would also be value in providing a tracker document, either embedded into a webpage or as a standalone file, for long consultation programmes. The perfect example here would be the Retail Market Review, as it was not easy for newcomers to pick up 'the story so far'. This tracker document would explain how the thinking has unfolded in relation to each area and this would be updated at each consultation stage. This would also avoid the requirement for prolonged repetition in each consultation document.



New Ofgem website

We appreciate efforts made by Ofgem to modernise and refresh its website last year. However, it appears that there are still some issues in terms of performance and ease of access to information. Further scaling and optimisation may be required.

Customer and market research

We think that research carried out and/or commissioned by Ofgem needs to be more focussed and appropriate. There have been occasions where research used by Ofgem has either lacked accuracy or been incomplete (a good example is the recent research on switching under the Debt Assignment Protocol) or has been contradicted by another research piece published a short time later (e.g. the research on the stickiness of micro businesses and reasons for low churn). Closer liaison with the industry when designing research requirements may assist here.

It is concerning that there are occasions when Ofgem does not act upon the customer feedback derived from market research. For example, Ofgem customer research showed that customers would prefer an accurate change of supply process over a speedy one. However, contrary to this, Ofgem is pushing for 24-hour switching.

Also, Ofgem research tends to be based on relatively small sample sizes and the results are then extrapolated to the whole population. This approach carries certain risks especially as the research is then used to inform market changes. The suggestion here is that larger, reflective sample sizes should be used.

Work on non-domestic Third Party Intermediaries Code of Practice

We would like Ofgem to make speedy progress with this to align it as far as possible with industry initiatives on removing auto-rollover contracts for micro businesses. As the ending of auto-rollovers progresses, more customers may come into contact with unregulated TPIs, so clearly this is an area that needs focus.

RMR billing information simplification

We are fully supportive of Ofgem's efforts to simplify customer bills, and this ties in with our parallel programme to achieve similar results. With its latest RMR proposals, Ofgem proposed further changes to customer bill information without affording suppliers the necessary time to assess the efficacy (or otherwise) of previous ones. This approach runs counter to evidence-based policy implementation and results in wasted costs and diversion of supplier resources from more needed areas.

There is a risk that further requirements to 'simplify' the bill, especially those that require bill redesigns, may make the document longer and less likely to be read. An example of this may be the proposals round adding Quick Response (QR) codes to customer bills.



Enforcement

We believe that enforcement action by Ofgem should operate as a last resort and only in the most serious of cases. Loose application of the enforcement process is not in the interest of customers, not least because it stifles the rebuilding of trust in the industry. We see value in Ofgem adopting a two-stage approach on questions of compliance and we believe a layer of monitoring should precede the enforcement stages. Therefore, we believe Ofgem should work in partnership with regulated parties on the issue of enforcement.

General comments on the upcoming Simplification Plan

Ofgem stated in its open letter that for 2014/15 it proposes to focus on “aspects of our work in relation to independent suppliers and generators, for example around compliance and licensing options”. We would suggest that, insofar as is reasonably practicable, Ofgem should ensure that it makes and applies the regulations equally to everybody, for reasons of equity and customer fairness.

We hope the above is clear but please let me know if you would like to discuss anything further.

Yours sincerely

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cc Chris Harris, Head of Regulation, RWE npower