

To generators, shippers, suppliers,
network companies, consumers and
their representatives, the sustainable
development community, investors
and other interested parties

Date: 23 January 2015

Dear Stakeholders

Ofgem Simplification Plan 2015-16

Finding ways to regulate better is an essential part of what we do. We have a legal duty to keep our activities under review and to publish an annual Simplification Plan, explaining what we intend to do to reduce or remove regulatory requirements which have become burdensome. We interpret this duty widely, to include ideas for how we might improve our effectiveness or make our processes more efficient. This letter opens the public consultation, to gather proposals for Simplification Plan 2015-16.

Our Simplification Plan is part of our corporate planning. On 18 December 2014, we published our Corporate Strategy¹ and draft Forward Work Programme 2015-16². Our Corporate Strategy describes our priorities and makes clear that the way we work cannot stay fixed in time. We need to adapt to meet the changes we know will happen, such as the move to decarbonise generation and the rollout of smart meters, and to be ready for future challenges. For this coming year, we aim to focus our Simplification Plan commitments on initiatives that could help support delivery of the aims in our Corporate Strategy.

The Strategy sets out five outcomes we aim to deliver for consumers:

- Lower bills than would otherwise be the case
- Reduced environmental damage both now and in the future
- Improved reliability and safety
- Better quality of service appropriate for an essential service
- Benefits for society as a whole including support for those struggling to pay their bills

It also describes six areas that we focus on (known as our outputs) to deliver our objectives. These outputs are regulation, competition, standards, partnership, confidence, and efficiency. The Strategy describes our priorities for the immediate future for each of these outputs.

Our draft Forward Work Programme provides greater detail on how we plan to achieve our outcomes for consumers, with activities for 2015-16 grouped around the six outputs. This makes it straightforward for stakeholders to see how the aspirations of our Strategy translate into practical action for the year ahead.

¹ <https://www.ofgem.gov.uk/publications-and-updates/corporate-strategy>

² <https://www.ofgem.gov.uk/publications-and-updates/forward-work-programme-2015-16>

Our initiatives to reduce burdens and make our processes more effective should support delivery of the five consumer outcomes and the Simplification Plan should help to ensure that the activities in our Forward Work Programme remain consistent with best regulatory practice. As our Strategy says, we are aware that the costs of independent regulation are indirectly recovered from consumers and we do not want our regulation to add to bills any more than is necessary. For the Simplification Plan we will be looking for initiatives that support efficiency improvements and prioritise value for money.

The Plan will also update on our current commitments, including our work to understand how we might improve our engagement with, and better coordinate how our regulation affects, independent suppliers and generators. We are actively engaging with independents and non-traditional types of organisation, for example through targeted meetings and roundtables. We remain interested in simplification ideas around new and innovative business models, and any proposals that might in particular support entry into and greater competitiveness in energy markets.

Alongside this, the Plan will set out any further developments in our work with stakeholders on what we might do to support licensee compliance. We set out our position on regulatory compliance, including our compliance principles, in an open letter in March 2014 and since then we have continued to gather evidence and consider how we might further develop this work. Our approach to compliance also has a bearing on our commitments around independent suppliers and generators.

We want your ideas for what we could do to simplify, clarify and make our regulation work better. Anything included in the Plan should help to show how we follow the principles of Better Regulation, so we would like to hear about actions that you think could help us to be more proportionate, accountable, consistent or transparent, or that could better target our work where we can make most difference.

All suggestions should be sent to Mark Wagstaff, Ofgem, 9 Millbank, London SW1P 3GE or to mark.wagstaff@ofgem.gov.uk by **Tuesday 17 March**. Any responses which you do not wish to be published should be marked as confidential.

We intend to publish the Simplification Plan 2015-16 alongside the finalised Forward Work Programme.

We look forward to hearing your ideas.

Yours sincerely



Philip Cullum
Partner, Consumers and Sustainability