

Ofgem's Simplification Plan 2007-08

Ofgem is committed to the principles of better regulation and we are continually seeking to improve our efficiency and effectiveness.

As a part of this, and in response to the Government's broader drive to reduce the administrative burden of regulation while ensuring consumer protection, we published our first Simplification Plan in March 2006.

We set out below our latest Simplification Plan that outlines the work that we will undertake in 2007-08 under the banner of better regulation.

Process initiatives

Initiative	Outcome	Current status/ milestone
<i>Consumer First</i> project: to improve our engagement with the priorities of domestic consumers	Improve our understanding of the domestic consumer's perspective, especially on sustainability issues	Commenced January 2007. Will publish next steps early in 2007-08. Commissioned pilot research on consumer attitudes to energy and the environment. Will publish the results early in 2007-08
Review Ofgem's approach to enforcement	Ensure that our approach is proportionate to the risk to consumers from non-compliance	Under way. Will publish revised guidance on enforcement policy and procedure in Q2 2007-08
Review Ofgem's approach to Impact Assessments in the light of the Better Regulation Executive's consultation exercise	Ensure that the costs and benefits of our proposals continue to be adequately considered, that solutions remain fit-for-purpose and alternatives are given sufficient consideration	Will publish revised guidance in Q3 2007-08
Ofgem RPI-3 cost control: to improve Ofgem's internal efficiency	Savings of around £8m by the end of the 5-year period. The savings will directly benefit licensees as their licence fees will reduce accordingly	Implemented. Savings to be made from 2005-06 to 2009-10. For 2005-06, we achieved the planned saving of £1.1 million plus an extra £2.9 million. Licence fees for 2006-07 were reduced accordingly

<p>Project Paperless:</p> <p>1. Revised document templates and guidance to make consultation and decision documents shorter and more accessible, responding to industry concerns about the burden imposed by dealing with long, complex documents</p> <p>2. Applying Project Paperless principles to all other Ofgem documents including code modification and derogation decisions</p> <p>3. Website to be redesigned to aid 'navigation'</p>	<p>20 per cent fewer documents published in 2005-06 than in 2004-05. Benefits all stakeholders who will need to spend less time working through Ofgem documents</p> <p>Benefits all stakeholders who need to engage with Ofgem's code modification decisions</p> <p>Benefits all stakeholders who need to engage with Ofgem's work</p>	<p>Implemented from January 2006. Audit of stakeholders' views conducted in Q4 2006-07. We are considering the results</p> <p>New arrangements took effect in autumn 2006</p> <p>Electronic document navigation and website redesign to be implemented April 2007</p>
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Policy initiatives

Initiative	Outcome	Current status/ milestone
<p>Supply licence review: to consider whether each licence condition remains the best means of protecting consumers, given that supply competition is well established</p>	<p>Benefits gas and electricity consumers and suppliers by reducing the cost of compliance and administrative burden in existing suppliers and through reviewing barriers to more effective competition</p>	<p>Consulted on initial proposals in July 2006 and final proposals in December 2006. These would more than halve the length of the supply licence from 160 to 80 pages. Licence changes likely to take effect in June 2007. Will closely monitor the outcome of the changes. Will also streamline the licence applications process</p>
<p>Review of the guaranteed and overall standards on suppliers</p>	<p>Subject to the consent of the Secretary of State, implement proposals that are consistent with better regulation principles</p>	<p>We will consult on whether the standards should be removed given that competition in retail markets is effective</p>
<p>Advise the Government on implementing the Energy Services Directive</p>	<p>Seek to influence the Government so that implementation is consistent with better regulation principles</p>	<p>Discussions ongoing</p>

<p>Industry Codes:</p> <p>1. Streamlining codes and governance arrangements</p> <p>- Creating a Uniform Network Code for independent Gas Transporters</p> <p>- Distribution Connection Use of System Agreement</p> <p>2. Review of industry code compliance arrangements</p>	<p>Reduce the burden imposed by the need for stakeholders to deal with multiple documents</p> <p>Single code replaced around 400 separate bilateral agreements</p> <p>Ensure arrangements are 'fit for purpose'</p>	<p>Conducted two rounds of consultation. Published licence modification notice and conclusions document in March 2007. New arrangements should be in place in summer 2007</p> <p>New arrangements took effect in October 2006</p> <p>Consulted in 2006. Conclusions in 2007</p>
<p>Revised and streamlined approach to developing the 2010-15 electricity distribution price control</p>	<p>Reduced administrative burden for electricity distribution businesses</p>	<p>Take forward in 2008</p>
<p>Undertake scoping exercise on reviewing the electricity distribution licence</p>	<p>Ensure that distribution licences remain fit for purpose</p>	<p>Take forward in 2007</p>
<p>Replace Ofgem-led electricity distribution charging implementation steering group with sector-led charging forum</p>	<p>Promote self-regulation where appropriate</p>	<p>Commence in April 2007</p>
<p>New, simplified reporting regime for gas distribution quality of service</p>	<p>Reduced administrative burden for gas distribution businesses</p>	<p>Take forward as part of the gas distribution price control review</p>
<p>Publicly Available Specification for the management of physical assets (PAS55): a standard setting out the key elements of good physical asset management</p>	<p>Removes need for Asset Risk Management Surveys. We consulted on how it affects our need for assurance on longer term asset risk management processes</p>	<p>Four network companies have PAS55 certification. Several more expect to later this year. We will track PAS55 status for other network companies and ultimately stop doing our own surveys</p>
<p>Engineering standard P2/6: introducing simpler compliance arrangements</p>	<p>Distribution licensees will self-regulate their compliance for demand groups up to 60MW</p>	<p>New arrangements implemented March 2007. Derogation from licence condition to enable two-year trial and subsequent Ofgem review. If trial is successful, we will seek to make this permanent</p>