

## SIMPLIFICATION PLAN 2009-2010

Earlier this year, during the corporate planning process, Ofgem considered whether there were any regulations that impose burdens that could, in the context of our duties generally, be considered unnecessary. In March 2009 we published our Simplification Plan, which set out the activities that we would undertake to reduce or remove those burdens.

The Regulatory Enforcement and Sanctions Act 2008 requires Ofgem to report on the progress we have made in removing burdens that we consider unnecessary. The updated Simplification Plan below therefore sets out the progress that we have made on our activities to remove unnecessary burdens since March.

### Process initiatives

Initiative	Outcome	Current status
The <b>RPI-3% cost control</b> committed Ofgem to save at least £5m during 2005-10.	The cost control has driven greater internal efficiency. We continued to reduce costs in the fourth year of the regime, which has now made savings of £9.5 million for licence fee payers.	2009-10 is the final year of the existing cost control. Given rising costs and other resource pressures we are considering how to incentivise internal efficiencies after 2010.
The <b>Industry Codes Governance Review</b> seeks to improve governance, for example by creating a framework for Ofgem to examine the case for major policy reform via the codes and by introducing self-governance where proposals have little impact on consumers or competition. The modification process should be more accessible to smaller code participants.	The reformed governance regime should: <ul style="list-style-type: none"> <li>▪ deliver change that leads to a proportionate regulatory burden;</li> <li>▪ promote inclusive, accessible and effective consultation;</li> <li>▪ be transparent and easily understood;</li> <li>▪ be independently and objectively administered;</li> <li>▪ provide rigorous analysis of proposed changes;</li> <li>▪ be cost-effective; and</li> <li>▪ be sufficiently flexible as to enable efficient change management.</li> </ul>	We set out the scope of the review in June 2008 and published a consultation in December 2008. We have just launched a consultation on our initial proposals for major policy reform, self-governance and the role of code administrators. Final proposals will follow in Q4 of 2009/10.  We have also consulted on proposed licence changes to make clear that industry should assess the greenhouse gas impacts of a proposed code modification.
The <b>Consumer First</b> project aims to improve our understanding of the priorities of domestic consumers.	The project has led to improved decision-making that takes proper account of consumers' views. We have published research and other data to facilitate debate.	We have focused on vulnerable customers and attitudes to the environment. We have also established new consumer panels which are an integral part of our policy-making.
Under <b>Project Paperless</b> we set up an Editorial Board to keep under review the quality and quantity of our publications.	Making our documents more accessible will reduce the time needed to read Ofgem documents, with benefits for all stakeholders.	The Editorial Board is drafting revised internal guidance to Ofgem staff on writing 'plain English' documents in 2009.

## Policy initiatives

<b>Initiative</b>	<b>Outcome</b>	<b>Current status</b>
Our <b>Probe follow-up</b> work includes proposals to increase transparency, for example on billing	Better informed switching decisions by consumers.	We will shortly publish a statutory consultation on a package of retail market measures to be implemented before the Winter of 2009.
Removing barriers to <b>distributed energy</b> in existing marketing and licensing arrangements.	This work will reduce the administrative burden for DE providers. It will be easier for DE providers to supply customers while upholding the consumer's right to switch supplier.	The changes that took effect in late 2008. DE companies can contract with larger suppliers to manage the administrative requirements of industry codes. We are monitoring the impact of the changes closely.
The <b>RPI-X at 20 review</b> is examining whether the current approach to network regulation will continue to deliver reliable, well-run networks with good quality service at reasonable prices despite growing investment challenges.	The review team will report to the Authority in the summer of 2010. We will subsequently consult on the recommendations. The eventual conclusions will inform our approach to new price control reviews after 2010.	We have hosted workshops with industry, investors, customers and academics. We consulted in February 2009 on whether we were looking at the right issues during the 'visionary' phase of the project. In June 2009 we published the first of what will be a series of working papers. It set out our current view of what energy networks should deliver in the future and the characteristics of an effective future regulatory framework.
<b>Electricity distribution price control review</b>	We will seek a streamlined approach that will reduce DNOs' administrative burden.	Initial proposals will be published in July 2009 and final proposals in December.
<b>New, simplified reporting regime for distribution companies.</b> We remain committed to publishing cost, revenue and quality of service data for GDNs.	We believe this work could reduce the administrative burden for distribution businesses and increase data transparency for network users.	We are looking for ways to simplify reporting requirements. We are exploring whether we can widen the range of data that is put in the public domain. We will also seek to publish GDN performance against a balanced score card and DNO performance against new output measures agreed under DPCR5.
<b>Distribution licence reviews</b>	This work would ensure that the licences remain fit for purpose and that they do not impose unnecessary burdens on licensees. It would also simplify the text to make the licences more accessible to those using them.	We completed the electricity distribution licence review and published revised licences in May 2008. The changes improved the style, format and ease of use of the licences. We are considering reviewing gas distribution licences in the next year or two.