

Simplification Plan 2010-11

1.1. 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 drive to reduce regulatory burdens while ensuring consumer protection, we published our first Simplification Plan in March 2006. Our new business unit, Ofgem E-Serve, is equally committed to the better regulation agenda and will seek to administer environmental programmes in a flexible and responsive manner.

1.2. We set out below our Simplification Plan outlining the better regulation activities that Ofgem and Ofgem E-Serve intend to undertake in 2010-11. Consistent with the Authority's duty under the Regulatory Enforcement and Sanctions Act 2008, we have considered whether there are any regulations that impose burdens that could, in the context of our duties generally, be considered unnecessary. We have carefully considered the comments that we received in response to our consultation in January 2010. We will set out the progress that we make on these projects in our Annual Report later this year.

Ofgem process initiatives

Initiative	Outcome	Current status
Ofgem's new RPI-3% cost control for 2010-15 Commits Ofgem to save at least £12.5 million in 5 years.	The previous internal cost control stimulated greater internal efficiency and licensees benefited from reduced fees. We expect that the new cost control will continue to deliver efficiencies and a strong cost control discipline.	We are approaching the end of the existing cost control period. In each of the first four years of the control we beat our cost reduction target. We returned an extra £5.2 million of savings to licence fee payers in 2006-09.
<i>Consumer First</i> project to improve our understanding of the priorities of domestic consumers, for example on sustainability issues	Improved decision-making that takes proper account of consumers' views. We will publish research and other data to facilitate debate.	Consumer First will continue to play a key role embedding consumer insight into a range of Ofgem projects. The Consumer Panel will contribute views on a range of issues including Discovery, network quality of service and fuel mix disclosure.

<p>Codes governance review</p> <p>The review has been considering whether existing code governance regime can be improved, for example by introducing:</p> <ul style="list-style-type: none"> ▪ a framework enabling Ofgem to lead major policy reform via the codes; and ▪ self-governance where code modification proposals have little impact on consumers, competition or our other statutory duties. 	<p>A reformed governance regime should:</p> <ul style="list-style-type: none"> ▪ deliver change resulting in a proportionate regulatory burden; ▪ promote inclusive, accessible and effective consultation; ▪ be transparent and easily understood; ▪ be administered in an independent and objective fashion; ▪ provide rigorous and high quality analysis of proposed changes; ▪ be cost-effective; and ▪ be sufficiently flexible that it will always allow for efficient change management. 	<p>We set out the scope of the review in June 2008 and consulted on initial proposals in July 2009.</p> <p>We have now published final proposals. Subject to responses to our draft licence modifications necessary to implement our final proposals, we expect to launch statutory 28-day consultations on licence modifications in Q1 of 2010-11.</p>
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Ofgem policy initiatives

Initiative	Outcome	Current status
<p>Probe follow-up work</p>	<p>Better informed switching decisions by consumers</p>	<p>We will monitor the impact of the licence conditions on price discrimination. If, at any time, we feel that the arrangements are insufficient to protect consumers, we will not hesitate to consider further action.</p>
<p><i>RPI-X@20</i> review</p> <p>This is a root and branch review of the future of energy network regulation. As part of it, we will, as far as practicable, seek to develop a framework that is transparent, streamlined, and accessible to stakeholders</p>	<p>The review team will report to the Authority in the summer of 2010. We will subsequently consult on the recommendations.</p> <p>The eventual conclusions will inform our approach to new price control reviews after 2010. As part of this we will consider the processes in place for collecting, analysing and reporting on data relating to network performance and compliance with price control arrangements</p>	<p>In January we published a consultation document on our emerging thinking for a new regulatory framework. We held a stakeholder workshop in March to discuss our ideas. After considering responses to the consultation we will develop the detail of the future regulatory framework for our final recommendations to the Authority</p>
<p>Gas transmission licence review</p>	<p>Consider the scope for simplifying the licence held by National Grid Gas</p>	<p>There may be scope to simplify this comparatively complex licence</p>
<p>Distribution licence reviews</p>	<p>Ensure that the licences remain fit for purpose and that they do not impose</p>	<p>The revised electricity distribution licence that we published in May 2008</p>

	<p>unnecessary burdens on licensees.</p> <p>Simplify the text to make them more accessible to those using them.</p>	<p>improved the style, format and ease of use of the licences. Noting stakeholders' views about the desirability of doing so promptly, we will take forward a review of gas distribution licences.</p>
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Ofgem E-Serve initiatives

Initiative	Outcome	Current status
Modifications to existing environmental programmes including Renewables Obligation and Carbon Emissions Reduction Target schemes	More effective application and efficient administration. Effective use of business process design techniques and compliance powers	Process reviews and changes under way to take account of revised Government requirements
<i>Introduction of new environmental programmes including Feed-in Tariffs, Renewable Heat Incentive and Carbon Capture and Storage will build on our existing expertise</i>	Effective and efficient administration using experience, facilities and teams for existing programmes. Effective use of business process design techniques and compliance powers	Process reviews and changes under way to take account of new Government requirements
Smart meters - design of regulatory regime	Develop a regime that is fit for purpose, recognising effective processes and especially consumer requirements	Scoping exercise underway, liaising with stakeholders
Offshore transmission – implementation and further development of regime	Less onerous regulatory burden at start and during life of projects	First tenders underway. Preparations for second tender round and enduring regime have started