

# Simplification Plan 2011-12

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 order to reduce regulatory burdens while ensuring proper consumer protection, we published our first Simplification Plan in March 2006. 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. The Simplification Plan below outlines the better regulation activities that we will undertake in 2011-12. 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 we received in response to our consultation in January 2011. We will set out the progress that we have made on these projects in our Annual Report and Accounts later this year.

## Process initiatives

<b>Initiative</b>	<b>Outcome</b>	<b>Current status</b>
The new RPI-3% internal cost control for 2010-15	The previous cost control increased our efficiency and licensees' fees were reduced substantially. The new control maintains the pressure for efficiencies. Cost reductions will be passed on to licensees	The current internal cost control came into effect on 1 April 2010 and commits Ofgem to save at least £12.5 million in 5 years.
Consumer First - improving our understanding of domestic consumers' priorities	The project has led to improved decisions that take proper account of consumers' views. Consumer First will continue to embed consumer insight into our policy making.	We have published research and other data to facilitate debate. We are looking to improve our website and call handling services and will consider how to build on the challenge group model to support the new RIIO approach to consumer engagement

## Ofgem policy initiatives

<b>Initiative</b>	<b>Outcome</b>	<b>Current status</b>
Retail Market Review – financial reporting	The deadline for responses to our proposals is 1 June 2011. We are seeking greater clarity for consumers on how retail prices relate to suppliers' wholesale costs. In doing so we will ensure that burdens on suppliers are no higher than necessary to protect consumers'	We propose to appoint a leading firm of accountants to review the transfer pricing and hedge accounting practices of the vertically integrated companies and report to us on the likely impact of these practices on reported profits and transparency. We propose to ask them to

	interests.	make recommendations to us on how to improve company reporting in future years.
Retail Market Review – tariff simplification	Responses to our proposals are due in June. We are seeking to make it easier for domestic consumers to compare prices and choose a better deal.	We have proposed to restrict the number of tariffs for standard evergreen products from each supplier to one per payment method with suppliers competing on a single 'per unit' price. Suppliers may offer an unrestricted number of fixed term products quoting prices readily comparable to their evergreen tariff unit price.
Retail Market Review – consumers' access to tariff information	We are considering the information that suppliers must provide to consumers about tariff information. We will take steps to improve transparency while ensuring that any burdens we impose on suppliers are proportionate	We are monitoring the progress of the Energy Bill, which may add new obligations for suppliers about tariff information. In the meantime, we are as part of the RMR considering whether to require suppliers to provide more standardised information on bills and annual statements. We may also take steps to improve consumer trust in switching sites.
Rolling out the RIIO conclusions	The transmission and gas distribution price controls will be the first time the new regime is used	We have begun work on these price controls and will consult on fast-track proposals in Q3.
Reviewing the gas transmission licence	Consider the scope for simplifying the licence held by National Grid Gas	We will take this work forward as part of revising the transmission licence for the price control roll over and RIIO-T1.
Reviewing gas distribution licences (focusing on the elements of the licence relating to Gas Distribution Networks)	We aim to improve the clarity of the Standard and Special Standard Conditions without making substantive changes to underlying policies and obligations. We will concentrate on restructuring and consolidation, including removal of redundant	We have consulted on the review scope and process. We are leading an industry working group. We will decide shortly on the revised structure for the licence. We will also publish the way forward for this project and how it will dovetail with licence changes to address the

conditions and simplifying and redrafting to improve clarity and certainty.

implementation of the 3<sup>rd</sup> package and licence drafting associated with RII0-GD1.

Networks regulatory reporting requirements

We will carry out a review of the reporting requirements that we place on the transmission and distribution companies

We have launched this review and have appointed consultants to advise us on a risk-based and proportionate approach.

## **Ofgem E-Serve initiatives**

### **Initiative**

### **Outcome**

### **Current status**

Updating procedures for administering the existing environmental programmes including the Renewables Obligation, the Feed in Tariff, the Carbon Emissions Reduction Target and the Community Energy Saving Programme

More effective application and efficient administration. Effective use of business process design techniques and compliance powers

Quarterly risk reviews feeding back into changes to our processes. Reviews are also under way to take account of revised Government requirements.

Introducing new Government environmental programmes including Renewable Heat Incentive and Warm Home Discount

We intend to administer these schemes cost effectively and efficiently, drawing on our experience, facilities and teams from existing environmental programmes and social tariff schemes. We will use business process design techniques and compliance powers effectively

We are advising DECC in relation to the Renewable Heat Incentive and the Warm Home Discount and are undertaking detailed design of our administration and compliance processes for these schemes

Developing the offshore transmission regulatory regime

Less onerous regulatory burden at start and during life of projects

The competition for nine projects in the first round – covering £1bn worth of transmission links – attracted a good response.