



Dear stakeholder

*Promoting choice and
value for all customers*

25 November 2011

Ofgem's approach to reducing unnecessary burdens

Ofgem regulates only where necessary to protect consumers' interests and we carefully consider whether any regulatory requirement we are proposing is necessary to protect consumers.

In 2005 Parliament required us to have regard to the principles of best regulatory practice and in 2008 gave us a new duty in relation to unnecessary burdens. Since then we have driven forward many initiatives to reduce the regulatory burden and costs on industry and other stakeholders. For example our:

- self-imposed RPI-3% cost control delivered £12 million of savings to licence fee payers between 2005 and 2010 despite major additional workload. We also made a £5 million saving in 2010-11, the first year of the new cost control
- RIIO framework for network regulation is designed to attract the significant investment required to deliver sustainable energy supplies. It will reduce the regulatory burden by introducing longer price controls and, for companies with a proven record of delivery, a fast-track assessment process
- recent reform of the industry codes will lead to increased reliance on self-governance in the process of modifying the multilateral agreements that determine how the energy networks are used by market participants.

Each year, Ofgem publishes and reports on a Simplification Plan and we identify new target areas by consulting stakeholders during our corporate planning process. In 2010-11 we were also able to consider suggestions made by respondents to Lord Marland's reducing regulation exercise. As a result, earlier in 2011 we decided to focus on reviewing the reporting requirements on energy network companies, with the aim of reducing significantly the volume of data that they have to provide, and simplifying the gas distribution and transmission licences (including a Plain English rewrite).

The Retail Market Review and our work on liquidity are also key priorities for Ofgem. We are seeking to improve the clarity of the information that suppliers provide to consumers, thereby facilitating informed switching decisions, while increasing contestability between market participants and encouraging potential new entrants. In pursuing these measures we will ensure that any burdens we impose on suppliers are proportionate. We will also want to ensure that smaller suppliers can compete effectively and to help us understand the potential barriers to this we have set up an Independent Suppliers' Forum so that we can regularly hear their views and concerns.

We will continue as part of our corporate planning process to look for opportunities to simplify and reduce the regulatory burden where this is consistent with protecting the interests of consumers. We are always willing to look at new ideas and would be happy to consider any suggestions that stakeholders put to DECC in response to the Government's Red Tape Challenge on energy regulations which goes live today. We will develop our simplification proposals for consultation and publish our final plans in 2012.

If you have any suggestions as to how Ofgem could reduce regulatory burdens while continuing to protect the interests of gas and electricity consumers, please do get in touch. Send your ideas by email to andrew.macfaul@ofgem.gov.uk or by post to

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We look forward to considering your ideas.

Yours sincerely

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