

Simplification Plan 2014-15

Plan

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Overview:

Better Regulation is an important consideration in everything we do. In all our decision making we have to think about whether the way we regulate meets the Better Regulation principles of being transparent, accountable, proportionate, consistent and targeted.

We are accountable to our stakeholders and so every year we are required by law to report on the progress we have made to remove regulatory burdens that we consider have become unnecessary. We use this opportunity to report more generally on what we have done and on what we plan to do to improve our regulation.

This document is our annual Simplification Plan. It shows what we have done over the past year and what we plan to do in the year ahead, to ensure that the principles of Better Regulation remain central to our work.

Context

Ofgem is the Office of Gas and Electricity Markets, which is governed by the Gas and Electricity Markets Authority. In this document we use the terms 'we' and 'our' to refer both to Ofgem and the Authority, except where it necessary to distinguish the two.

Our priority is to protect and make a positive difference for energy consumers. We promote value for money, secure energy supplies and sustainability for present and future consumers. We do this through the supervision and development of markets, promotion of effective competition, regulation of networks and the delivery of government energy efficiency schemes.

We work with government, consumer bodies, the energy industry, European partners and other stakeholders to ensure that we deliver our duties and focus on areas where we can have most effect. We do this within a legal framework determined by the UK government and European Union. More details about our statutory duties are here:

<https://www.ofgem.gov.uk//publications-and-updates/powers-and-duties-gema>

The principles of Better Regulation shape our activities, so that we deliver our functions in ways that are transparent, accountable, proportionate, consistent and targeted only where action is needed. The legislation under which we operate also enables us to take into consideration any other principles which, to us, represent best regulatory practice.

We have a duty to keep our regulatory functions under review and to make sure that, when we exercise those functions, we do not impose or maintain burdens which we consider unnecessary. We must publish an annual statement to show what this means in practical terms. That annual statement is our Simplification Plan.

Associated documents

Simplification Plan 2013-14

<https://www.ofgem.gov.uk/publications-and-updates/ofgem-simplification-plan-2013-14>

Transparency of Ofgem data – a Statement of our Policy

<https://www.ofgem.gov.uk/publications-and-updates/transparency-ofgem-data-%E2%80%93-statement-our-policy>

Forward Work Programme 2014-15

<https://www.ofgem.gov.uk/publications-and-updates/forward-work-programme-2014-15>

Annual Report and Accounts 2013-14

<https://www.ofgem.gov.uk/publications-and-updates/ofgem%E2%80%99s-annual-report-and-accounts-2013-14>

UK Regulators Network Work Programme 2014-15

<http://www.ukrn.org.uk/?p=113>

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Executive Summary

In everything we do we must have regard to the need to be transparent, accountable, proportionate, consistent and target our resources only where action is needed. We have a duty to keep our regulatory functions under review and to make sure that, when we exercise those functions, we do not impose or maintain unnecessary burdens. This Simplification Plan shows what we have done and what we plan to do to demonstrate how we are meeting these legal requirements.

This is our Simplification Plan 2014-15. The Plan is divided into three sections:

Section 1 shows our simplification commitments for 2014-15. Our priorities for this year are:

- Independent suppliers and generators – how we might improve engagement and better coordinate aspects of our work with independent suppliers and generators
- ‘Licence Lite’ – updated guidance on a means of relieving aspects of the electricity supply licence to reduce direct burdens, subject to appropriate commercial arrangements and regulatory approval
- Compliance – work with stakeholders on what we need to do to support licensee compliance
- Cross-sector infrastructure – joint work with other economic regulators to help enable efficient and effective cross-sector infrastructure projects
- E-Serve continuous improvement programme and Offshore transmission – further refinement of the offshore transmission regime and process improvement for delivery of government environmental programmes

Section 2 is an update on our commitments from the 2013-14 Plan. We have looked at some of these commitments again and reviewed where we can better target our resources. This section also outlines the initiatives we are taking forward from our Statement of Policy on Transparency of Ofgem data.

Section 3 is a more in-depth look at our commitment to better regulation. Drawing on examples from across our work, this shows how we demonstrate the principles of better regulation in a selection of our activities. This section also presents a brief review of progress since our first Simplification Plan in 2006.

We aim to ensure that, when we introduce reforms or make changes to our requirements, the way we do this is consistent with our better regulation duties. Our principal objective to protect the interests of existing and future consumers in our sector will always be our first consideration. We will continue to look for opportunities to simplify and reduce regulatory burdens where this supports protecting the interests of consumers and helps deliver our duties.

We are always interested in stakeholder views on our better regulation work and in ideas for how we could reduce burdens. Please send any comments on this to Mark Wagstaff, Better Regulation Manager mark.wagstaff@ofgem.gov.uk

1. Commitments for 2014-15

Chapter Summary

This chapter sets out our commitments for 2014-15.

1.1. This year's Simplification Plan focuses on areas of our work that should enable us to improve how we regulate and make good use of our resources. The Plan is characterised by a stronger emphasis on engagement and coordination of our work with the independent suppliers and generators who bring increasing diversity to the industry. Whether generating energy from renewable sources, trading in wholesale markets, or supplying retail customers, the independent sector brings choice and competition, and can play an important role in delivering innovation.

1.2. Most areas of our work engage with independents to some extent, and this is increasingly the case. We have decided to take stock of these interactions, to look at where and how we engage with independents and whether it is feasible to do more to coordinate our approach. There are two areas in particular where our work could involve the independent sector more closely. These are the updated guidance on 'Licence Lite' and our continuing engagement on compliance.

1.3. Our commitments in the UK Regulators Network (UKRN) work programme¹ include looking at how regulators approach cross-sector infrastructure projects. We are leading this project, which has planned outputs including a guide to help investors better understand the UK's regulated utility sectors.

1.4. Our E-Serve arm will continue to build on the initiatives outlined in previous Simplification Plans, to improve performance and efficiency in delivery of the government's environmental schemes. Further improvements to the offshore transmission tender regime will also be explored, to reduce resource needs for bidders and other parties.

¹ <http://www.ukrn.org.uk/?p=113>

Commitments for 2014-15	
Initiative	Commitment
Independent suppliers and generators	We will undertake a whole-organisation piece of work to understand how we might improve our engagement and better coordinate aspects of our work with independent suppliers and generators
'Licence Lite'	We will publish updated guidance on a means of relieving aspects of the electricity supply licence to reduce direct burdens, subject to appropriate commercial arrangements and regulatory approval. In certain circumstances, this may facilitate new entry for smaller, independent and community-based organisations
Compliance	We will continue engagement with stakeholders on compliance and actively consider what we need to do to support this
Cross-sector infrastructure investment	We will work with other economic regulators to develop and implement regulatory outputs in relation to multi-sector investment
E-Serve continuous improvement programme and Offshore transmission	We will continue to explore the scope to streamline processes in the environmental programmes we deliver for government, including building on the ECO reporting simplification initiative. We will continue to refine the tender process for offshore transmission, focused on saving time and costs for all parties

2. Update on 2013-14 commitments

Chapter Summary

This chapter reviews and updates our commitments from the 2013-14 Plan.

2.1. Our Simplification Plan 2013-14 was published on 30 September 2013. This year we have brought publication forward to June, as part of our two-year target to realign publication of the Plan with our Forward Work Programme, which is published at the end of March each year.

2.2. Given the relatively short time since publication of last year's Plan, we have taken the opportunity to review our existing commitments to ensure that our resources are targeted effectively in relation to our corporate priorities.

2.3. We have particularly focused our resources on delivery of two commitments in the 2013-14 Plan, alongside our ongoing better regulation work. In November 2013 we started to publish advance agendas for Authority meetings on our website. This gives better visibility on our decision making processes and helps stakeholders to understand our evolving priorities.

2.4. In March 2014 we published our Statement of Policy on Transparency of Ofgem Data.² This shows how we demonstrate our commitment to making our processes and activities more transparent. The Statement of Policy also commits us to improve transparency by publishing:

- A schedule of our upcoming research
- Our business performance metrics
- Data underlying our cost benefit analysis modelling
- Data on complaints against Ofgem

2.5. We will take these commitments forward through 2014-15.

2.6. Other commitments in our 2013-14 Plan focus on investigating the feasibility of enhancing our stakeholder engagement through better use of digital tools and a review of how guidance is presented on our website. We will keep these ideas under review and aim to look again at this work in future years.

² <https://www.ofgem.gov.uk/publications-and-updates/transparency-ofgem-data-%E2%80%93-statement-our-policy>

3. Our commitment to better regulation in our work

Chapter Summary

This chapter details our commitment to better regulation and explains how this is embedded in our work.

Our statutory duties

3.1. Our principal objective is to protect the interests of existing and future consumers in relation to gas conveyed through pipes and electricity conveyed by distribution or transmission systems. To do this, we work in a number of ways, including through development and implementation of regulatory interventions. These interventions can have extensive and long-term effects for consumers, stakeholders in the sector and more widely.

3.2. What we do and the way we do it might shape the investment environment, influence market behaviour, or change the way that consumers engage with their energy supplier now and in the future. One reason why we updated our Impact Assessment guidance in 2013³ was to make sure that we evaluate all the potential implications of our actions, including these long-term effects.

3.3. There are a number of situations where we might decide to intervene, or make changes to the way we regulate. These situations include where there is non-compliance with statutory or licence requirements. Here are a few examples of other circumstances where we might also make regulatory changes:

- If there are inefficiencies in the operation of markets that need to be addressed. A market might behave rationally within its own terms, yet still fail in economic efficiency. Outcomes may not be sufficiently consumer-focused or incumbent participants may shape the market in ways that make it difficult for new competitors to gain a foothold
- We may intervene to address inequalities which the market would not deal with by itself. Some consumers may be poorly-served or might not see the benefits they should from a competitive market
- There may be occasions where intervention is needed to modernise or enhance the functioning of our regulatory approach. The way we regulate, or institutional arrangements in the sector, may risk being left behind by new technological developments or by shifts in

³ <https://www.ofgem.gov.uk/publications-and-updates/impact-assessment-guidance>

market conditions. We often need to take action when we know that things will change. An example of this is preparing for the rollout of smart meters.

3.4. Other factors may also prompt us to take action. As our Impact Assessment guidance makes clear, many of the things we have to take decisions about include factors that are difficult to monetise or quantify. These factors can be complex, long-term, inherently unpredictable, or interdependent with other considerations. Often there will be no ideal answer.

3.5. To make these difficult decisions, and to help consumers and the economy face the crucial challenges in energy over the next few years, we need to design and deliver our interventions as well as we can. To help us know how to do this, we have statutory duties that shape our decision making. Informing all of these duties are the principles of better regulation.

3.6. The five principles, that regulatory activities should be transparent, accountable, proportionate, consistent and targeted only where action is needed, were first described by the Better Regulation Task Force in 1997. These principles have endured because they provide a clear, straightforward way to assess whether regulatory interventions are fit for purpose.

3.7. The role of these principles in our statutory duties means that our better regulation work is not quarantined in a single part of the organisation, but is embedded in everything we do. Here are some examples of how that works in practice. All five principles are relevant to an appropriate degree across the range of our work:

- **Transparent** – our reforms to the way information is presented on bills mean that suppliers have to create a standard way to calculate personal projections of tariff costs and provide regular prompts to consumers about tariffs. This goes alongside additional protections for consumers introduced through our binding Standards of Conduct which help consumers understand what to expect from suppliers
- **Accountable** – the RIIO price control framework reduces regulatory burden by putting the onus on network companies to be the driver of their review outcome. The fast-track mechanism for good performers rewards compliance with less intervention. Significantly, we publish company business plans and our assessment methodology to ensure that we and companies are answerable for the way that price control decisions are reached
- **Proportionate** – we have set out our position on regulatory compliance⁴, including the principles that guide our approach. Our focus on compliance activity aims to ensure that regulated companies remedy issues in the most effective and timely manner,

⁴ <https://www.ofgem.gov.uk/publications-and-updates/open-letter-regulatory-compliance>

to benefit consumers and the market. This is part of our work to strengthen our risk-based and cost-effective allocation of regulatory resources

- **Consistent** – we continue to develop policy for the Integrated Transmission Planning and Regulation project (ITPR) to ensure efficient, coordinated and economic development of GB electricity transmission arrangements for the overall network. This includes identifying strategic system needs and potential coordination opportunities in onshore and offshore investments, and interconnection
- **Targeted** – a key theme of the Enforcement Review was to look at how we can target our resources in the most effective way. Our draft Enforcement Guidelines set out prioritisation criteria for deciding whether to open or continue a case. Among other factors, these criteria include consideration of the harm or potential harm to consumers and whether action by us would be likely to discourage similar behaviour in the future.

3.8. Alongside these five principles, we also have flexibility to have regard to any other principles that appear to us to represent best regulatory practice. This helps us to think widely about the efficiency and effectiveness of everything we do. Some initiatives that link with and help build best regulatory practice are:

- Our relationships with other EU member states and representation on the board of the Agency for the Cooperation of European Regulators (ACER)
- Our work with DECC on development of the Strategy and Policy Statement (SPS) introduced in the Energy Act 2013, to help maintain clarity in our respective roles and responsibilities
- Our participation in the UKRN which brings together the nine UK economic regulators to ensure effective collaboration across sectors.

3.9. Organisationally, we have a small Better Regulation team located within the Consumer Policy and Insight team in Ofgem's Sustainable Development division. This helps to make sure that the support the Better Regulation team gives to work in all parts of the organisation is explicitly linked to our core focus on the interests of existing and future consumers.

Overview of Simplification Plans 2006-2013

3.10. This section presents an overview of some of our commitments since we started to publish annual Simplification Plans. We published our first Simplification Plan in March 2006 in response to our new statutory duty and in line with the broader public sector commitment to review the impacts of regulatory burdens. Setting out views on the better regulation challenge at the time, the then Chairman of the Better Regulation Commission called on regulators to tackle administrative burdens and develop a culture to encourage and reward innovation. The Better

Regulation Commission noted that economic regulators were already doing good work on better regulation and encouraged regulators to ensure that Simplification Plans were meaningful, with measurable, deliverable and credible outcomes.⁵

3.11. Ofgem was quick to grasp the importance of delivering an achievable better regulation offer. The Simplification Plan 2007-08 led on improving engagement with the priorities of domestic consumers, a move which marked the initial steps of Ofgem's Consumer First initiative. That early Plan also trailed a streamlining of industry codes and moves to reduce administrative burdens in the electricity distribution price control.

3.12. In 2009-10 we reported that our RPI-3% cost control had made savings of £9.5m for licence fee payers during the 2005-10 cost control period. We also announced a new governance framework for industry codes and the establishment of new consumer panels, to form part of our policy making. Following on from the Energy Supply Probe⁶, early work on increased billing transparency was noted in the Plan.

3.13. A central initiative of Simplification Plan 2010-11 was a root and branch review of the future of energy network regulation 'to develop a framework that is transparent, streamlined and accessible to stakeholders'. What was known as the RPI-X@20 Review⁷ was to lay the foundations for RIIO. The 2011-12 Plan included explicit linkage of the RIIO approach with consumer engagement through development of the challenge group model. Tariff simplification proposals were also noted in 2011-12. In addition, this Plan included specific E-Serve commitments on less onerous regulatory burden during the life of offshore transmission projects.

3.14. For 2012-13 we put forward an ambitious programme embracing major aspects of the regulatory regime including the E-Serve Performance Improvement Project, completion of the RIIO framework and a strong emphasis on development of reputational regulation and better access to Ofgem's extensive consumer research data. Key publications announced in the Plan included the Smart Meter Installation Code of Practice (SMICOP) and revised and updated Impact Assessment Guidance.

3.15. Our Simplification Plan commitments from 2006 trace the story of our most significant policy initiatives and demonstrate how the principles of better regulation are embedded in the development of a suite of long-term reforms. We continue to keep our regulatory functions under review, to manage burdens effectively, make space for innovation and ensure that the interests of consumers remain paramount in all we do.

⁵ Comments reported in the published minutes of the Joint Regulators Group 24 February 2006 <https://www.ofgem.gov.uk/publications-and-updates/joint-regulators-group-minutes-24-february-2006> Responsibility for better regulation in central government now sits with the Better Regulation Executive, which is a unit of BIS.

⁶ <https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/retail-market-review/energy-supply-probe>

⁷ <https://www.ofgem.gov.uk/network-regulation-%E2%80%93-riio-model/background-%E2%80%93-rpi-x20-review>

Examples of Better Regulation in our work

Reforms to switching process

3.16. From the end of 2014 the time it takes to switch energy supplier will be cut to three days after the statutory two week cooling off period. This follows our approval of suppliers' proposals to speed up the process. We have also published proposals to make the switching process more reliable and put in place next day switching by the end of 2018. This will be made possible by a significant modernisation of energy company infrastructure which will help consumers take full advantage of the benefits of smart meters.

Independent suppliers and generators

3.17. A notable feature of the sector over the last few years is the growing presence and impact of a cohort of smaller, sometimes community-based organisations. While this may be especially apparent in the environmental schemes managed by E-Serve (see section below), more mainstream parts of the sector are increasingly seeing the influence of independent suppliers and generators as markets develop and the sector moves to decarbonisation.

3.18. Across a range of our activities we try to ensure that energy markets work well for independent suppliers and generators. We are implementing measures to improve liquidity in the wholesale electricity market by reducing barriers that make it difficult to trade electricity.⁸ Poor liquidity inhibits the ability especially of independent market participants to access the range of wholesale market products they need to compete effectively as generators and suppliers.

3.19. Improved liquidity should encourage entry and enable more effective competition in wholesale and retail markets. As well as improvements for independent participants, our reforms are also intended to deliver benefits to consumers in terms of downward pressure on bills, greater choice and better service.

3.20. We are taking action to improve the transparency of energy company profits.⁹ This includes requiring companies to audit their Consolidated Segmental Statements (CSS), publish a more detailed breakdown of costs and give more insight into their trading activities. We will also be reviewing their transfer pricing practices. Our liquidity reforms include requiring firms to post prices at which they will buy and sell forward electricity products. This will improve the transparency of prices, which will help independents when they are looking to trade these products. Our work on the CSS will also help independents by improving the level and quality of information

⁸ <https://www.ofgem.gov.uk/publications-and-updates/wholesale-power-market-liquidity-decision-letter>

⁹ <https://www.ofgem.gov.uk/publications-and-updates/actions-improve-transparency-energy-company-profits>

available on the largest energy companies' revenues, costs and profits along the value chain.

3.21. Coupled with reforms in wholesale markets, greater transparency on company profits has the potential to give independent suppliers and new entrants far greater visibility of profitable entry opportunities in different segments of the market, to increase competitive pressure on incumbents. Taken together, these reforms mean that incumbents will have to be transparent about their arrangements, which should help ensure fairer trading conditions for independents to support better quality competition.

3.22. Our approach to licensing offers another area of support for independents. Simplification Plan 2009-10 noted the introduction of novel licensing options to make it easier for small energy companies including distributed energy schemes to operate as a licensed supplier. In our Forward Work Programme 2014-15 we undertake to publish updated guidance on a means of relieving aspects of an electricity supply licence (subject to appropriate commercial arrangements and regulatory approval). This should help reduce direct regulatory burdens on aspiring new entrants, for example amongst distributed generators. This option is known as electricity 'Licence Lite'.

3.23. Some consumers are interested in purchasing an electricity tariff that directly supports an environmental cause. However, it can be difficult for consumers to understand the environmental claims made by different tariffs. This is a complex section of the electricity market dominated by small suppliers. As part of our review of the Green Supply Guidelines introduced in 2009, we are looking at how consumer confidence and protection can be enhanced, to improve outcomes in the green and renewable offers market.¹⁰

Enforcement Review

3.24. Our Simplification Plans in recent years have featured our progress in developing our approach to enforcement. In March 2014 we signalled the end of the Enforcement Review with publication of draft Enforcement Guidelines for consultation¹¹, focused on ensuring a transparent, consistent and proportionate approach. We consulted on changes including our proposal to announce every case we open (except those under REMIT¹²) unless making the announcement would adversely affect the investigation – meaning that we would be making public types of cases that currently are not always made public even when concluded.

3.25. We proposed a new system of settlement windows within which we would offer fixed percentage discounts if a company agrees with our draft penalty

¹⁰ <https://www.ofgem.gov.uk/publications-and-updates/update-our-review-green-supply-guidelines>

¹¹ Outcome expected later in 2014

¹² The EU Regulation on energy market integrity and transparency

statement and / or our consumer redress order. We also consulted on levels of discount, and our approach to redress and penalties.

3.26. Moving forward we will be more transparent about our performance in relation to enforcement cases. We intend to set out metrics such as number of cases opened and closed, average time to reach the opening of the settlement procedure and average time taken to process cases, along with more qualitative metrics to give a rounded picture.

3.27. A significant outcome from the review is creation of the Enforcement Decision Panel (EDP). This ensures visible separation between investigation and decision-making functions. The members of the EDP have been appointed specifically to take enforcement decisions on the part of the Authority. The role of the EDP will involve taking decisions on behalf of the Authority as to whether there has been a breach of sectoral legislation and licence conditions, competition laws or REMIT regulations and imposition of appropriate penalties, redress and orders. The EDP's decisions will be independent from the investigating team and the Authority will not change or overrule EDP decisions.

Delivery of environmental schemes

3.28. The overall design of the energy efficiency framework is the responsibility of DECC. DECC has ownership of the policy and legislative requirements, while Ofgem's E-Serve arm is responsible for the production of guidance and administration of the schemes. Simplification Plans in recent years have noted Ofgem's focus on increasing scheme simplicity and ease of administration wherever possible, as well as driving efficiencies to maximise consumer benefits. For example, we have worked closely with the supply chain on the ECO reporting simplification initiative, which will significantly streamline scheme reporting requirements.

3.29. Through the environmental schemes administered on behalf of DECC we have done as much as possible to prepare and engage with participants, and implement our role successfully. This includes process improvements in those parts of the schemes which we can most directly influence. We continue to engage closely with DECC to improve policy and delivery of the programmes.

3.30. E-Serve continues to build on its aim of 'delivery excellence', with objectives that focus on fraud prevention, ensuring compliance, improving performance and becoming even more efficient. We introduced a new performance plan called a 'Balanced Scorecard', which has helped to deliver E-Serve's many achievements over the past year. These include:

- processing over 100% of forecast transactions for most schemes, including the Non-Domestic Renewable Heat Incentive, Feed-in Tariff, Renewables Obligation and Warm Home Discount
- introducing a Process Improvement Programme which has led to a 13% saving against our forecast budget. This programme formally finished in July 2013 and was replaced by the Continuous Improvement Programme from October 2013

- meeting 100% of our target deadlines for stakeholder enquiries, and commissioning a survey of our stakeholders to understand how we can further improve
- reducing staff turnover and improving staff engagement

3.31. We also take our fraud prevention and detection role very seriously, together with ensuring that scheme participants comply with legislation. We have begun enforcement proceedings where appropriate.

Continuous improvement in the offshore regime

3.32. Since the inception of the offshore transmission regime we have looked for opportunities to make improvements. The intention to reduce regulatory burden at the start and during the life of projects was signalled in Simplification Plan 2010-11 during the first offshore tender round. The tendering approach to delivery of transmission infrastructure in itself delivers cost savings for consumers as generators, as detailed in Simplification Plan 2012-13. The following year, the Plan featured development of the offshore guidance for cost assessment which sets out in an accessible format parallels between the cost assessment and tender processes.

3.33. In 2012 we commissioned a report from KPMG 'Offshore Transmission: an Investor Perspective' to give interested parties a single point of reference to understand business factors, risk and financial considerations in relation to the Offshore Transmission Owners (OFTO) asset class. The report was updated in 2014 to reflect further development and refinement of the regime.¹³

3.34. As part of the E-Serve Continuous Improvement Programme, the offshore team has designed an Enhanced Pre-Qualification Stage (EPQ) for projects in tender round 3. This streamlines the tender process to reduce time and resource needs for all parties. Expectations are that the EPQ could save two and a half months over the standard tender practice and result in cost savings for bidders and for Ofgem. The revised process could also have potential to reduce barriers for new entrants.

¹³ <https://www.ofgem.gov.uk/publications-and-updates/offshore-transmission-investor-perspective-update-report>

Appendix – Summary of consultation responses

Our consultation

1.1. We issued a consultation letter on 7 April 2014 to seek views on content for our Simplification Plan 2014-15. The consultation closed on 2 June 2014.

1.2. We received eight responses from:

- Citizens Advice Service
- EDF Energy
- Gavin King-Smith
- National Grid
- npower
- Scottish Power
- Spark Energy
- UK Power Networks

1.3. As in previous years, respondents raised a wide range of issues relevant to how we demonstrate better regulation through our work. Many of these, however, are outside the scope of the Simplification Plan as they relate to policy initiatives consulted on and resolved as part of larger reforms or projects. It is also the case that suggestions from respondents occasionally conflicted.

1.4. The table below highlights key points from each response and gives our view. We have focused in this table on those aspects of responses most directly relevant to the Simplification Plan. The consultation responses are available on our website.

Consultation response summary

Stakeholder	Comments	Ofgem response
Citizens Advice Service	<ul style="list-style-type: none"> • 'Licence Lite' – concern that lighter touch regulation for smaller suppliers will offer consumers less protection and could cause confusion on redress. Welcome clarification of how redress would work in practice with Licence Lite holders • Price control processes – length and complexity of business plans makes it challenging for stakeholders to make an informed judgement on whether plans present value for money. More needs to be done to present this information in an accessible way, for example by using benchmarks where appropriate • Network codes – ongoing issue of how energy and climate change policy is translated into network codes. Particular issue for rollout of smart metering. Ofgem should take a more proactive role in guiding modification processes on smart, European network codes, and major energy policies 	<ul style="list-style-type: none"> • Our initial view is that a customer served by a 'Licence Lite' supplier would be just as protected as any other. The 'Licence Lite' supplier would be required to comply with complaints handling regulations and be a member of the Ombudsman scheme. The 'Licence Lite' supplier would be expected to take full responsibility for complaints, with any disputes between them and the Third Party Licensed Supplier resolved contractually • An important principle of RIIO is that customers and stakeholders should be involved in the process and able to influence both us in carrying out the price control and the company in the development of its business plan. This means that we and the companies have developed approaches that help different types of customers /stakeholders find ways of influencing effectively despite the diversity of interest they will have and in some cases the limited time/resources. We have challenged business plans on whether they are properly informed by stakeholder engagement. We have developed a number of ways of getting customers/stakeholders views into the RIIO price controls including attending workshops to inform what outputs the network companies will deliver and the Price Control Review Forum. We have also put in arrangements that reward network companies during the price controls based on surveys, complaints performance and a discretionary reward for high quality outcomes from effective stakeholder engagement • We wrote to suppliers, network companies and industry code panels on 6 February 2014 to set out our expectations on industry to help create the market conditions necessary to support realisation of the benefits of smart metering.¹⁴ We made clear in that letter that code modification processes should not delay the

¹⁴ <https://www.ofgem.gov.uk/publications-and-updates/letter-industry-role-creating-market-conditions-necessary-support-realisation-benefits-smart-metering>

	<ul style="list-style-type: none"> • TPIs – suggest that TPIs workstream would benefit significantly if Ofgem discussed key issues with other regulators to develop solutions across different markets • Confidence Code review – suggest that UKRN workstream on consumer engagement and switching could look at potential synergies across markets • New entrants – in light of recent examples of new entrants experiencing significant teething problems suggest increased hand-holding and monitoring of new entrants 	<p>realisation of consumer benefits</p> <ul style="list-style-type: none"> • We are working with other regulators through the UKRN project on consumer engagement and switching. This is looking at high level synergies across markets and we will consider any possible interactions with our TPIs work • As above, the UKRN workstream on consumer engagement and switching is looking at similarities and differences across markets for all stages of the consumer journey. We will consider any relevance to the Confidence Code • We are continuing to focus on our approach to new entrants and smaller suppliers. We will take feedback on this issue from stakeholders which we have received through a number of recent publications and forums, to further develop our approach
EDF Energy	<ul style="list-style-type: none"> • Supply Market Indicators – welcome recent improvements but could go further. Encourage Ofgem to publish forecast impacts on consumers of network price settlements in a consumer friendly document 	<ul style="list-style-type: none"> • We publish our SMI and accompanying narrative to make pricing trends in the energy market clearer for consumers, and to help them understand the outlook for the different costs that make up their energy bill. We base our estimates on publicly available and verifiable data, where we can. We may update the data behind our estimates when there is new evidence, including that received from stakeholders. Furthermore, we welcome unprompted constructive feedback from our stakeholders
Gavin King-Smith	<ul style="list-style-type: none"> • FIT – examine and monitor hydropower schemes with the greatest probability of causing significant impact on abusing benefits from FIT. Better targeting to ensure compliance of larger scale schemes • Renewable generation – publish information on work done in regulating hydropower and results in terms of non-compliance discovered. Publish information on accreditation of schemes showing actual energy generated by different renewable technologies, not just scheme capacities • Accreditation process – publish information on applications for accreditation in pipeline • Information requirements – condense requirements for 	<ul style="list-style-type: none"> • We recognise the importance of having an efficient accreditation process under the FIT scheme in order to limit delays that may affect the financial future of an installation. We operate a continuous improvement programme under which we frequently review our procedures. Since January 2014 we have undertaken a number of improvements designed to speed up processing times and make applicants aware upfront of the evidential requirements that must be met and that can delay applications • We have removed our three stage checking process and replaced it with a two stage process with a third reviewer being involved only where an application is complex. This has enabled us to increase

	<p>collecting information about small scale schemes to basic facts needed under FIT legislation – suggest one page form for quick turnaround</p> <ul style="list-style-type: none"> • Discretionary measures – publish discretionary measures that can be applied where there is reason to do so and exercise them accordingly • Engagement with others – engage with other agencies eg. EA, planning authorities, others with interest in hydropower schemes to remove duplication. Currently agencies can request similar information • Transparency – publish processes by which applications for accreditation are assessed, with timescales and work involved 	<p>the number of accreditations granted from 80 to 200 per month. We are also running a stakeholder awareness campaign to promote the message that a 'right first time' application – ie an application that the ROO-FIT team does not need to query - will prevent delays. On 11 June we hosted two stakeholder events that were open to all prospective applicants where we walked through the application process. The feedback from these events has been very positive and we intend to repeat the events again later this year. We are also attending a number of the trade associations events to promote the 'right first time' message</p> <ul style="list-style-type: none"> • The team has developed a quick and simple guide to 'How to submit a successful ROO-FIT application'. The idea behind the guide is to highlight the key questions that people often get wrong in the ROO-FIT application in order to help them submit their application right first time. This document was published on our website earlier this month¹⁵. We have also published the 'Essential guide to applying for ROO-FIT accreditation' – this is a more in-depth guide to applying for FITs and completing the application form¹⁶. Later this summer we will be publishing a FIT preliminary accreditation essential guide to complete this series of documents • Ofgem is responsible for assessing whether an installation meets the requirements of the FIT legislation. It remains the applicants responsibility to provide sufficient evidence to confirm the most salient points in the application - ie the commissioned date and the total installed capacity – given the importance of these two issues to setting FIT tariffs
National Grid	<ul style="list-style-type: none"> • Government strategies – Ofgem's work should align with One In Two Out and Red Tape Challenge, to reduce the burden of regulation 	<ul style="list-style-type: none"> • The legislation which governs Ofgem places specific better regulation requirements on its activities. This includes the requirement to publish an annual review of steps taken to reduce burdens. We have regular contact with DECC and with the Better

¹⁵ <https://www.ofgem.gov.uk/publications-and-updates/how-submit-successful-roo-fit-application>

¹⁶ <https://www.ofgem.gov.uk/publications-and-updates/essential-guide-applying-roo-fit-accreditation>

	<ul style="list-style-type: none"> • Information and data requirements – simplification of information and data requested by and reported to Ofgem requires greater visibility and should be a specific commitment in the 14/15 Plan. This includes data reporting required under the Regulatory Instructions and Guidance (RIGs) and Regulatory Reporting Pack (RRP) in RIIO • KPIs – should be a simple, proportionate and transparent suite of KPIs to show how Ofgem is progressing against Simplification Plan, FWP and organisational objectives 	<p>Regulation Executive on developments in the government better regulation framework. We are always open to consider suggestions on how we could regulate more effectively</p> <ul style="list-style-type: none"> • We are continuing to review the development of the price control framework, to ensure effective delivery of its objectives. As the RIIO approach beds in we will engage with stakeholders to understand any further refinements that might be made • Our Forward Work Programme 2014-15 includes our deliverables and KPIs, which we consulted on in December 2013. Our Annual Report provides an update on our major initiatives and we report in our annual Simplification Plan on progress to reduce burdens. We continue to consider how best to align this work. From March 2015 we intend to publish the Forward Work Programme and Simplification Plan at the same time
npower	<ul style="list-style-type: none"> • Standards of Conduct – SoC have an important part to play. But should not perform backstop function in scenarios where specific errors by suppliers cannot be pinpointed. Principles underpinning SoC should not substitute for providing robust guidance and clarity on licence conditions and supplier obligations. Further guidance on SoC should be developed • Licence conditions and guidance – Ofgem should publish detailed guidance on interpretation of licence conditions. 	<ul style="list-style-type: none"> • The Standards of Conduct (SOC) are designed to improve the experiences consumers, and micro-businesses have with energy suppliers. They aim to increase consumers trust in the energy market. We have been clear with industry on our bespoke approach to enforcement for SOC. A supplier will be in breach of the SOC if their action or omissions significantly favour the interest of the licensee and also give rise to the likelihood of consumer detriment. When assessing a potential breach of the SOC, we will consider whether a reasonable person, intent on treating consumers fairly, would have acted in the way the supplier did. Our SOC guidance clarifies key terminology contained in the licence. This guidance strikes the right balance between allowing licensees flexibility to interpret the licence condition and providing clarity on Ofgem's interpretation of the SOC. In the coming months we plan to enhance monitoring of the SOC, actively engage with domestic and non-domestic suppliers and where relevant share insight to facilitate positive outcomes for consumers • In March 2014 we issued an open letter on regulatory compliance. We set out that responsibility for regulatory compliance, which

<p>Guidance is published in other areas (SoC, ECO, FIT)</p> <ul style="list-style-type: none"> • Consultations and Information Requests (IRs) – too many consultations running concurrently. Fewer consultations that are focused with clear direction would be more effective / better use of resource. Better Regulation team should ensure that consultations, IRs and planned changes do not conflict. Including changes coming from DECC and others. More concern needed for timing of consultations to avoid holiday periods. Need better consultation planner • Document simplification – work to do for Ofgem to make documents more accessible, concise and intelligible. Also scope for a tracker document for long consultation programmes, eg. on RMR could have had a webpage (regularly updated) setting out the story so far, showing how thinking has evolved and how the current stage was reached. Might also avoid the need for extensive repetition in each consultation document • Website – appreciate efforts but still issues in terms of performance and ease of access 	<p>includes compliance with licence obligations, is the responsibility of the companies we regulate. We agree however that there is a role for us in ensuring that the obligations are clear, which may be of particular importance to new market entrants. We use a variety of approaches to provide clarity of regulatory requirements for the companies that we regulate, which include engaging in early dialogue when policy is new or complex, providing guidance or further information on specific areas, being open and transparent in our decision making, being accessible to our stakeholders. We consider on a case by case basis the appropriate approach and whether published guidance is appropriate. For example, we recently published guidance on our new 'liquidity' licence condition¹⁷ and on licence obligations we introduced as a result of our Retail Markets Review¹⁸</p> <ul style="list-style-type: none"> • Our Statement of Policy on Transparency of Ofgem Data sets out the procedure we aim to follow when making IRs. We will monitor the effectiveness of this approach. We consult on our proposals to ensure that our decision making takes account of the fullest range of stakeholder perspectives. Some of our consultations are also driven by statutory processes. Our website enables stakeholders to prepare for upcoming consultations and we will continue to consider how we can improve the information we give • We have an ongoing internal programme to improve the accessibility of our published documents. The idea of a document tracker looks potentially useful and we will consider the feasibility of this, as a future priority • Following the launch of our new website in August 2013 we have tracked its performance through a combination of quantitative
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¹⁷ <https://www.ofgem.gov.uk/publications-and-updates/wholesale-power-market-liquidity-decision-letter>

¹⁸ <https://www.ofgem.gov.uk/publications-and-updates/guidance-derogation-requests-domestic-retail-market-review-rmr-licence-conditions>

- **Customer and market research** – Ofgem research needs to be more focused and appropriate. Occasions where research used by Ofgem has been inaccurate or incomplete eg. switching under the Debt Assignment Protocol. Or has been contradicted a short time later eg. research on stickiness of microbusinesses and reasons for low churn. Suggest close liaison with industry when designing research. Concerned that Ofgem does not always act on customer feedback derived from research eg. research suggests consumers would prefer accurate change of supply process over speed, but Ofgem pushing on 24 hour switching. Also issue with small sample sizes

analytics and qualitative user feedback. Metrics across the site are positive, with more visitors, more page views and a higher percentage of site searches leading to a click on results. Our qualitative research shows a broad increase in satisfaction. As with any website the internal search function requires constant refinement and we will be making further amendments in summer 2014. We will also be making changes around access to documents, in response to industry feedback

- We have a dedicated Consumer Insight and Engagement team which leads the scoping and commissioning of new research. The team works closely with policy leads to define specific research objectives for each project, and carefully evaluate the most appropriate research methodology through a competitive tendering process. We only commission expert research agencies to carry out work we are confident will stand up to external scrutiny in terms of robustness, appropriateness of scope, inclusivity and independence. Where possible we will engage our stakeholders at an early stage of a research project, so they have an opportunity to input into the research design. For example, we have done this recently on research into the experiences of DTS meter customers (where a stakeholder roundtable was held) and in updating the focus of the 2014 complaints handling survey (where some suppliers offered their views through in-depth interviews). Where this is not possible we are happy to receive feedback upon the publication of the research so that specific criticisms can be considered and any lessons learned can be applied to future research projects. Given the breadth of evidence that Ofgem collects and the often complex issues it deals with, findings from different research outputs may at times appear inconsistent or contradictory. In these instances we will carefully evaluate the evidence available to us to understand what may be driving these inconsistencies, and will build this understanding into our decision-making processes. It is common for qualitative research to be criticised on the grounds that the sample size is considerably smaller than that for large-scale surveys. However qualitative samples are carefully constructed to represent a range of relevant consumer experiences and be reflective of the wider population

	<ul style="list-style-type: none"> • TPI code of practice – would like speedy progress to align this with industry initiatives on removing auto-rollover for microbusinesses • Enforcement – enforcement should only be a last resort and only in the most serious cases. Suggest two-stage approach on compliance with a layer of monitoring to precede enforcement • Independent suppliers and generators – note Ofgem interest in this. Suggest Ofgem should ensure that it makes and applies regulations equally to everybody for reasons of equity and customer fairness 	<ul style="list-style-type: none"> • We recognise there are links between auto-rollovers and improving the functioning of the TPI market, including by creating more trust from consumers. The TPI code of practice is a key priority for us. Our proposals constitute a significant intervention in the non-domestic market affecting potentially a 1000 plus TPIs. In finalising our policy we are keen to avoid any unintended consequences and to engage with the very diverse TPI community. We intend to confirm the governance arrangements for the code of practice and proposed licence conditions on suppliers by the end of this year • Our published vision for enforcement is to achieve a culture where businesses put energy consumers first and act in line with their obligations. We believe that through taking responsibility for their actions, including their responsibility for regulatory compliance, businesses will significantly contribute to rebuilding consumer trust in the industry. Our Open Letter on compliance has recognised that compliance has a role to play in many situations, but it would be inappropriate for us to focus solely on assisting companies to become or remain compliant. Compliance activity can help companies maintain compliance or deliver corrective action to ensure regulatory obligations are met. Enforcement is necessary to deliver corrective action, and importantly also to deter future non-compliant behaviour • Work on our approach to independent suppliers and generators is one of our commitments for 2014-15. As part of this, we may consider issues of regulatory burden balanced with the need to ensure fairness for consumers
Scottish Power	<ul style="list-style-type: none"> • Nature and complexity of regulation – view that nature and complexity of regulation has impact on competition. Eg. tariff restrictions introduced under RMR may be limiting supplier pricing flexibility and ability to compete • Independent suppliers and generators – do not support narrow focus on barriers to new entrants. Would prefer a more 	<ul style="list-style-type: none"> • Our consultation on a market investigation reference to CMA acknowledges that the energy market is heavily regulated, to reflect the essential nature of the service and public policy goals. The consultation also notes the impact of compliance with industry codes. The CMA may look at the impacts of regulation as part of that investigation • Work on our approach to independent suppliers and generators is one of our commitments for 2014-15. We are required by law to

	comprehensive review of current regulations and the extent to which they can be simplified	keep regulatory burdens under review and will continue to consider how we can develop our work on this
Spark Energy	<ul style="list-style-type: none"> • Independent suppliers and different business models – welcome efforts by Ofgem to support smaller suppliers eg. through compliance forum. Support continued efforts in relation to independents 	<ul style="list-style-type: none"> • As part of our approach to independent suppliers and generators we aim to engage further with stakeholders to understand where there might be particular issues
UK Power Networks	<ul style="list-style-type: none"> • Transparency – Ofgem should publish regular updates to give visibility of progress on this commitment • DNO comparative performance – encourage Ofgem to publish annual report of DNO comparative performance against obligations and incentives. Report was published during DPCR5: support this being reinstated 	<ul style="list-style-type: none"> • We agree this is important. We are committed to strengthen transparency in our work and will consider how best to engage stakeholders and report progress on our commitment • As part of the RIIO framework we are developing an annual assessment commenting on and comparing the performance of each type of network company

