

Mark Wagstaff
Ofgem
9 Millbank
London
SW1P 3GE

5 June 2014

Dear Mark,

OFGEM SIMPLIFICATION PLAN 2014-15

Thank you for the opportunity to provide an input to Ofgem's Simplification Plan for 2014-15.

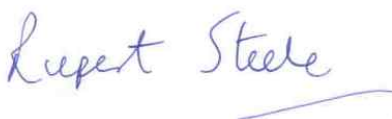
In its recent 'State of the Market Assessment' Ofgem noted that a number of small suppliers cited the complexity of regulation and the cost of compliance as a barrier to entry, including in respect of RMR initiatives (see para 5.12 of the Assessment Report). We are sympathetic to these concerns raised by small suppliers, and agree that the regulatory burden of compliance and reporting requirements now constitutes a significant barrier to entry to the retail market.

However, we also think that the nature and complexity of current regulation can have a wider impact on competition. For example, we believe the tariff restrictions introduced under RMR may be limiting suppliers' pricing flexibility and their ability to compete aggressively; and that this adverse impact may outweigh the benefits of tariff simplification. A balance must be struck between regulatory forbearance – trusting to the market to deliver outcomes – and regulating to achieve those outcomes. We think that currently there may be too much emphasis placed on regulation.

The extent to which Ofgem is able to remove or simplify existing regulations will therefore have a direct benefit for consumers in terms of new entrants and increased competition. Although we note that Ofgem has highlighted work in relation to independent suppliers and generators as a key focus for 2014-15, we do not think Ofgem should focus narrowly on reducing barriers to new entrants. Rather, we would like to see the initiative expanded to a more comprehensive review of current regulations and the extent that they can be simplified and any overlaps removed.

In taking this work forward, it would obviously be necessary for Ofgem to consider the risk of any overlaps between the simplification project and any Market Investigation Reference that it makes following the recent consultation, so as to ensure that this work does not cut across what the Competition and Markets Authority may be doing.

Yours sincerely,



Rupert Steele
Director of Regulation