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Ofgem Simplification Plan 2016-17

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy welcomes the opportunity to respond to Ofgem's 2016/17 Simplification Plan and supports the commitment to simplify regulation and reduce the regulatory burden faced by licensees. During the course of the planning period the industry is likely to experience significant change to the regulatory landscape driven by both the Competition and Markets Authority's (CMA's) Market Investigation and the introduction of principles based regulation. It is therefore difficult to comment on specific simplification measures prior to the conclusion of CMA's investigation (not under the direct control of Ofgem) and so our comments below focus the process of simplification itself.

Simplification should not always be associated with reducing the size of the licence, though that is welcome. Size is however, less relevant than the understanding of the provisions contained in the licence and how that understanding is translated into business process and compliance programs. This change process is likely to be expensive for companies to set up. There are also other less easily measured, but nevertheless important, costs for consumers, for example, any opportunity cost associated with over compliance associated with misinterpretation of the new licence. Over time this could lead to a chilling effect on innovation.

In moving towards a more principles based regulatory regime, we might well see a shorter and clearer licence. However, this may be more apparent than real as the notion of simplification will need to be revised. Complexity may simply have been transferred from the licence to the supplier's internal business processes as it seeks to interpret Ofgem's principles. This will also have an impact on the capabilities required for a successful entry into the retail supply market.

We would ask Ofgem to consider how they could help this transition and simplification more generally for example:

- Compliance support should be an integral part of the simplification process.

- It would also be helpful for Ofgem to clearly demarcate the monitoring of supplier performance to capture the relationships between industry actors and the supply businesses. For example, the role of the outgoing supplier in a switch or a third party that administers industry processes could have an impact on customer experience of the market unrelated to the customer's new supplier.
- Finally, the development of a "due diligence defence" in Ofgem's plan would usefully focus licence holders compliance activities and their dialogue with the regulator.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Sebastian Eyre on 020 7752 2167, or myself.

I confirm that this letter may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in blue ink that reads "Paul Delamare".

Paul Delamare
Head of Customers Policy and Regulation