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Dear Mark,

Ofgem Simplification Plan 2016-17

Thank you for the opportunity to provide an input to Ofgem's Simplification Plan for 2016-17.

We are pleased that Ofgem has highlighted work on applying principles-based regulation (PBR) in energy retail as an important strand of the forthcoming year's simplification plan. We agree that this work has the potential to facilitate achievement of better consumer outcomes and it is worth considering whether it can be applied to regulation of other parts of the energy supply chain.

More specifically Ofgem has raised a number of issues in the recent Future of Retail Regulation (FoRR) consultation, which we think may warrant wider consideration in the simplification plan:

- **Review of the supply licence** – Ofgem has recognised that, alongside the application of PBR to energy supply, there will also need to be a more general review of the supply licence conditions to assess whether conditions can be removed or consolidated, whether the structure of the licence could be improved and, where obligations need to remain prescriptive, whether there is scope to simplify or improve the licence drafting. We think this is an important activity and should be done on a planned basis, perhaps with Ofgem giving explicit recognition to it as a workstream under the FoRR project. We also think it is worth considering whether a similar approach would be of benefit for other classes of licensee such as generation and networks.
- **Information requests/regulatory reporting** – The FoRR consultation recognises that a move towards PBR will necessitate a review of the present compliance monitoring framework and in particular what types of information and data will provide meaningful compliance indicators. As part of this process, we think Ofgem should take stock of all information it currently receives directly or indirectly from suppliers, in particular looking for areas of duplication and areas where there is scope for data to be reused so as to avoid additional information requirements. Again, we think other licensed activities would benefit from a similar type of review, notably networks, where licensees have a substantial number of reporting obligations (around 100). We also believe that there is scope to consolidate some of the various stakeholder reports network licensees are required to produce, in order to make this information more easily accessible.

- **Centralised compliance resource areas** – The FoRR consultation recognises that a move to PBR places the onus of compliance more firmly in ownership of licensees and it therefore becomes increasingly important that there are no obstacles to licensees and potential new entrants fully understanding their regulatory obligations. The consultation suggests one way to achieve this is to have a central online location where up-to-date licences and respective guidance can be easily found and accessed. We would support such an initiative and believe it should be extended to other classes of licence such as generation and networks.

We welcome the opportunity to feed into Ofgem's forthcoming consultation on its Innovation Plan, we agree that Ofgem's work on PBR has the potential to help facilitate innovation, though we think that even greater flexibility may be required in future as products and services evolve, especially in the context of smarter markets.

If you have any queries regarding any aspect of this response please don't hesitate to contact me.

Yours sincerely,



Rupert Steele
Director of Regulation