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10 February 2016

Ofgem Simplification Plan

Dear Mark,

Smartestergy welcomes the opportunity to respond to your open letter on the Ofgem Simplification Plan.

SmartestEnergy has been an aggregator of embedded generation since 2001 and a supplier in the electricity retail market serving large corporate and group organisations since 2008. SmartestEnergy does not have a domestic supply licence.

SmartestEnergy is largely supportive of the idea of simplification and along with it the aim of reducing the length of the licence and the move from compliance-based to principles-based regulation. Ofgem need to be cognisant, however, of the possibility that initiatives which simplify matters for them could in themselves increase the burdens on small suppliers.

We are concerned at the prospect of an increase in information requests. Indeed, these need to be reduced in number. We are already massively overburdened by requests from Ofgem and DECC. On average we have responded to one mandatory RFI per month throughout 2015. RFIs such as those required for advanced metering, smart metering, non-domestic objections etc are increasingly asking for more additional and complex information and responses are very time consuming to prepare. These RFIs, in addition to the introduction of regular reporting for TRAS and quarterly reporting of compliance with Guaranteed Standards, put considerable strain on small suppliers who may not necessarily have dedicated resource for producing reports of such a complex nature which are required in order to provide the requisite information.

Another area which may lead to simplification for Ofgem but additional burdens for small suppliers is the proposal under the Future of Retail Market Regulation consultation of "self-reporting" (demonstrating that suppliers have arrangements in place to ensure that they are complying with the principles and achieving good outcomes for consumers). However, we are still awaiting details of what self-reporting means in practice.

As stated above we welcome the overall aim of reducing the length of the licence and, as Ofgem themselves note in their current Future of Retail Market Regulation consultation, "the



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standard conditions of electricity supply licences have expanded from 64 pages in 2007 to 465 pages today." However, much of the licence is made up of FiT arrangements as well as Green Deal and Smart metering (which altogether make up 150 pages of the licence) and if Ofgem are not contemplating removing these, as stated on page 15 of the consultation document, the number of pages is not going to be drastically reduced. We believe that, as regulations such as FiTs, for example, are repeated in guidance documents, the licence could be reduced in this and similar areas deriving from government initiatives. The domestic section only runs to approximately 180 pages but we can see value in reducing this through greater use of principles. It is important, however, that Ofgem start to make a distinction between guidance which expects mandatory compliance (the current status of guidance) and guidance which advises on best practice (i.e. not mandatory).

We also note that a recent consultation on meter inspections ran to several tens of pages to discuss the removal of just a few clauses from the licence. It is important going forward that Ofgem package up areas for reducing the size of the licence in a more efficient manner. Responding to consultations is a very time consuming business and Ofgem need to be aware that suppliers are responding to consultations from other bodies as well, such as DECC, Elexon, DCUSA etc.

Another area which affects SmartestEnergy in terms of regulation is that of "micro-business" customers. We spend an inordinate amount of time ensuring we are compliant with micro-business regulation, even though we target our offerings to large corporates. We consider the application of the term "micro-business" to be used too strictly and more latitude should be allowed where micro-businesses are fully engaged with the market and taking advantage of commercial agreements. Such customers do not need to be offered the same protections as domestic customers. We hope that this latitude will come in the move to principles based regulation.

Please note that our response is not confidential.

Should you require further clarification on this matter, please do not hesitate to contact me.

Yours sincerely,

Colin Prestwich

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