



Making a positive difference
for energy consumers

To generators, shippers, suppliers,
network companies, consumers and
their representatives, the sustainable
development community, investors
and other interested parties

Date: 17 December 2015

Dear Stakeholders

Ofgem Simplification Plan 2016-17

We have a legal duty to keep our activities under review and to publish an annual Simplification Plan, explaining what we intend to do to reduce or remove regulatory requirements which have become burdensome. We interpret this duty widely, to include ideas for how we might improve our effectiveness or make our processes more efficient. This letter opens the public consultation, to gather proposals for Simplification Plan 2016-17.

The Simplification Plan is part of our corporate planning. Today we are publishing our draft Forward Work Programme 2016-17 which provides detail on how we plan to achieve the outcomes for consumers as set out in our Corporate Strategy.¹

Our initiatives to reduce burdens and make our processes more effective should support delivery of the consumer outcomes. The Simplification Plan should also help to ensure that the activities in our Forward Work Programme reflect best regulatory practice and meet our duty to keep our activities under review. An example of this is our commitment to regulate more through principles and remove unnecessary prescription in the retail market. We will do this while maintaining, and making more effective, consumer protections, which is in line with the principles of good regulation.

Our Simplification Plan will also set out our response to government's burdens reduction agenda. We support government's aim to reduce burdens on business. Regulating in effective, proportionate ways accords with the approach in our Strategy and delivers the best value for consumers. We have worked closely with government on development of requirements in the Enterprise Bill to extend the Business Impact Target (BIT) to our activities, including the new framework for sharing assessments of costs with the Regulatory Policy Committee (RPC).

Our Simplification Plan will give more insight on how we will deliver our proposed new duties, how considerations of regulatory burdens are reflected in our planning and decision making, and what this means for the businesses we regulate and the consumers they serve. We welcome stakeholders' views on ideas for burdens reduction.

¹ Ofgem, December 2014, Corporate Strategy <https://www.ofgem.gov.uk/publications-and-updates/corporate-strategy>

We also support government's aim that regulators should give businesses the space to innovate.² We have undertaken significant work in this area, including through opening discussion on the transformative potential of non-traditional business models³ and in ongoing support for network innovation.⁴ We are seeking your thoughts on how we could build on existing work to develop new approaches to support innovation and the safe testing of new products and services in the energy market. Your views will also inform our Innovation Plan, to be published in spring 2016.

We want your ideas for what we could do to simplify, clarify and make our regulation work better. Anything included in the Simplification Plan should help to show how we have regard to the principles of good regulation, such as actions that allow us to be more proportionate, accountable, consistent, transparent, and targeted in our work. Remember that suggestions have to be deliverable by us as we cannot commit to change government or European energy policy.

All suggestions should be sent to Mark Wagstaff, Ofgem, 9 Millbank, London SW1P 3GE or to mark.wagstaff@ofgem.gov.uk **by Thursday 11 February 2016**. Any responses which you do not wish to be published should be marked as confidential. We are always happy to discuss simplification proposals with stakeholders.

We intend to publish the Simplification Plan 2016-17 alongside the finalised Forward Work Programme.

We look forward to hearing your ideas.

Yours sincerely



Philip Cullum
Partner, Consumers and Sustainability

² HM Government, November 2015, A better deal: boosting competition to bring down bills for families and firms <https://www.gov.uk/government/publications/a-better-deal-boosting-competition-to-bring-down-bills-for-families-and-firms>

³ Ofgem, February 2015, Non-traditional business models discussion paper <https://www.ofgem.gov.uk/publications-and-updates/non-traditional-business-models-supporting-transformative-change-energy-market>

⁴ Ofgem, November 2015, Network Innovation Competition funding decisions <https://www.ofgem.gov.uk/publications-and-updates/ofgem-announces-62-8-million-deliver-smarter-energy-network-consumers>