

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

Date: 18 January 2017

Dear Stakeholders

Ofgem Simplification Plan 2017-18

We have a statutory duty to keep our activities under review and to publish an annual statement setting out what we have done and what we intend to do to reduce or remove regulatory requirements that have become burdensome. This statement is our Simplification Plan. We interpret our 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 2017-18.

Our initiatives to reduce burdens and make our processes more effective support the delivery of the five consumer outcomes that are set out in our Corporate Strategy. We also ensure that these initiatives complement our Forward Work Programme.

This year we are revising the way in which we are structuring our Forward Work Programme¹ by focusing on Ofgem's key initiatives that we feel represent the greatest opportunity for and risk to current and future energy consumers. These have been identified as:

1. Enabling a better functioning retail market.
2. Facilitating the energy transition.
3. Learning from the first RIIO framework and setting RIIO-2 up for success.
4. Introducing competition into monopoly areas.
5. Becoming an authoritative source of quality analysis.

¹ Forward Work Programme 2017-18
https://www.ofgem.gov.uk/system/files/docs/2016/12/draft_forward_work_programme_2017-18.pdf

We also set out our ongoing core business activities and explain the upcoming work for Ofgem E-Serve. The Forward Work Programme is currently open for consultation (please see link above).

We have reviewed our approach to publication of the Simplification Plan. We think it makes sense to set out what Ofgem is doing to review and reduce burdens on business alongside the description of our projects and their objectives as part of the Forward Work Programme. We concluded that, given the overlap between the two documents, there would be benefits from combining them. Therefore, from March 2017, the Forward Work Programme will incorporate the Simplification Plan.

Under the Small Business, Enterprise and Employment Act 2015², we are expected to assess the impacts of certain of our decisions on the businesses we regulate, and to report these impacts to the Regulatory Policy Committee. This new obligation, which we expect to come into force soon, provides further impetus to our commitment to remove regulatory requirements that are no longer necessary.

We are also continuing our work to remove unnecessary prescription in the retail market. This year we are moving to principles-based regulation by amending supply licences to include broad principles. The reduction in prescriptive rules supports the work we have undertaken to facilitate innovation through our new Innovation Link.

We would like your views on what we could do to simplify, clarify and improve the working of our regulations. We will consider your suggestions in light of the principles of good regulation to make sure that our initiatives are proportionate, accountable, consistent, transparent, and targeted.

All responses should be sent to Suchitra Hammond at Ofgem, 9 Millbank, London, SW1P 3GE or suchitra.hammond@ofgem.gov.uk by 15 February 2017. Any responses that you do not wish to be published should be marked as confidential.

We look forward to hearing from you.

Yours sincerely

Joe Perkins

Partner and Chief Economist, Improving Regulation

² Section 22, as amended by the Enterprise Act 2016.