



By email

17th March 2015

Dear Mark,

Response to Ofgem's Simplification Plan 2015-16

This submission was prepared by the Energy team within the Citizens Advice Service. It has statutory responsibilities to represent the interests of energy consumers in Great Britain. We welcome the opportunity to provide a submission on Ofgem's Simplification Plan 2015-16.

Our response is not confidential and can be published on your website. It follows on from our response to your 2015-16 Forward Work Programme and should be read alongside it. We also support your broad approach of "Better Regulation" and its sub-sections, principally so that the levy on energy consumers that funds your work (and ours) is as limited as possible. With that in mind, we draw your attention to the following areas of suggestion and concern.

Independent suppliers

As we stated last year in response to your simplification plan and your Licence Lite consultation, while we welcome Ofgem's aim to make a positive difference for energy consumers, we are concerned that this lighter touch regulation for smaller suppliers will offer consumers less protection and potentially cause confusion as the means of receiving redress may be more complicated, principally with smart metering. There is a tension between the goal of encouraging innovative new entrants and ensuring that all consumers receive an appropriate level of service and protection.

We would hope and expect Ofgem to not make a habit of exemptions from Smart Energy Code obligations, thus potentially jeopardising the rollout and attendant benefits. This is particularly true for non-domestic consumers who already suffer from fewer protections and whose suppliers are not as yet mandated to join the DCC. Thus each "case by case" basis for derogation would need to be rigorous so as not to have policy conflict. In order for consumers to make accurate, well-informed switching decisions they need to understand exactly what they are signing up for.

We are continuing to experience difficulties with some new suppliers who are unaware of our formal role, including and most immediately the Extra Help Unit's statutory duties. As Ofgem will be aware, we would like to see the regulator introduce a more formalised compliance function alongside greater 'hand holding' for new market entrants who intend to take on new customers.

More generally, and as we have flagged with you before, in order to inform Ofgem's monitoring regime we believe that there may be value in the regulator maintaining and publishing a risk register. In the areas that Ofgem ascertains as high risk it should more actively show how it is monitoring the market. For example, perpetual problems associated with face to face sales activity since the market

opened suggests that supplier sales activity should be viewed as high risk, and would thus warrant transparent and comprehensive public monitoring. This could facilitate cost savings further down the regulatory path.

Price controls

Now that the three 'RIIO' price controls have been finalised, Ofgem's attention must turn to ensuring the companies deliver on their commitments in a transparent way.

More so than in previous price controls, the companies' earnings under RIIO are linked to how well they perform in discrete aspects of their business, or to use the regulatory terminology, how well they deliver certain 'outputs'. But with each company having up to 100 'outputs', this has necessarily increased the complexity of the price control, and there is a risk that more information might have the unintended consequence of delivering less transparency.

There is a need for Ofgem to develop a performance reporting framework, with a common format, to ensure that consumers are able to access the key information they need to judge whether, on the whole, they are receiving value for money from their networks.

Code governance

It is becoming increasingly apparent that the current code governance arrangements are overly complex and are more than likely stifling competition and innovation. As well as considering whether there is a case for consolidating the codes into a more manageable number, Ofgem should consider aligning the objectives in the codes with its statutory duties to ensure that modifications are more explicit about consumer impacts. This would make the change process more accessible to stakeholders outside industry and reduce Ofgem's workload at the end of the process.

Reviewing the content on bills

Most people's starting point for engaging with their energy use and the wider market – their bill – is still seen by many as complicated and loaded with unnecessary jargon. It is thus ripe for potential simplification, both in bill form and in how Ofgem looks at the area generally. The Consumer Bills and Communications Working Group attempted to start off this work but failed to complete it. It seems the right time for a wider review of bill content. The European Commission's interest in the Better Regulation agenda could make this quite timely.

We will shortly be publishing a report looking at the state of billing in the energy market, 10 years after the energywatch super-complaint.

Working with other regulators

We believe that the Third Party Intermediaries (TPIs) work stream would benefit significantly if Ofgem discussed key issues with other regulators and tried to see if, together, they could develop solutions which can work across different markets. We are thus pleased that Ofgem is working with other regulators, through UKRN, to ensure there is a joined approach to the regulation and accreditation of TPIs operating in different sectors. The UKRN could be a useful starting platform to explore ways of jointly increasing consumer awareness with other regulators operating TPI accreditation in different sectors. As part of this, we would advocate the development of a more recognisable 'kitemark' to be

used across different sectors to help increase consumer understanding of the benefits of using an accredited TPI.

In addition, simplification might extend to sharing corporate plans more widely, rather than policy work itself. We understand that the further development of your Work Plan coincides with a similar exercise from Ofwat, the water regulator, so would suggest that their progress is synergised and the same principles used to inform both. This will deliver the dual benefits of simplifying the process for identifying new groups who may be in need of extra help, and avoiding expensive parallel processes within the respective regulators. It will also mean that the collective experience of the utility sector can be shared for the mutual benefit of consumers, especially the vulnerable.

Yours,

Andrew Hallett
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