

Decision

Decision on the review of the Energy Industry Voluntary Redress Scheme

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This decision sets out the Gas and Electricity Markets Authority’s (“the Authority”) approach to the allocation of voluntary redress payments, following our consultation on the Energy Industry Voluntary Redress Scheme (“the Redress Scheme”)¹.

The Authority has made the following main decisions:

1. To retain the current funding split between the Main Fund (70%), Innovation Fund (15%) and Decarbonisation Fund (15%)
2. To retain the current vulnerable consumer percentage split (70% targeting vulnerable consumers through the Main Fund and 30% targeting all energy consumers through the separate Innovation and the Decarbonisation funds)
3. Fuel vouchers will continue to be funded through the Main Fund, there will only be a further fund for vouchers if a crisis emerges that warrants it
4. All vulnerable consumers will continue to be eligible for fuel vouchers
5. To extend eligibility for the Decarbonisation and Innovation Funds to Community Energy Groups²

¹ [Consultation to review the energy industry voluntary redress scheme 11 February 2021](#)

² Co-operative Societies, Community Benefit Societies and Community Interest Companies are intended to be eligible to apply for funding

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1. Introduction

- 1.1. Following the consideration of responses to our 2016 consultation³ and wider stakeholder engagement, Ofgem decided to engage an expert third party organisation to allocate, manage and monitor voluntary redress payments via the Redress Scheme.
- 1.2. We are committed to reviewing our approach to the allocation of voluntary redress payments to ensure that the Redress Scheme maximises the beneficial impacts of these payments for energy consumers, and in particular consumers in vulnerable circumstances.
- 1.3. In February 2021, the Authority sought views from stakeholders on how we could maximise the beneficial impacts of voluntary redress payments by considering:
 - the types of projects funded by the Redress Scheme and the share of voluntary redress funds allocated to these projects.
 - if a dedicated fuel voucher fund should be created and the eligibility criteria for fuel vouchers.
 - widening the eligibility criteria for the Redress Scheme to include other organisations as well as charities; and
 - the experiences of the charities that had applied to the Redress Scheme.
- 1.4. We received 35 consultation responses from charities, social enterprises, energy suppliers, public bodies and not-for-profit organisations. We carefully considered the views of stakeholders when reaching our decisions.

³ [2016 Consultation on allocation of voluntary redress payments](#)

2. The Authority's Decisions

Question 1: Do you consider the funding split between the Main Fund, Innovation Fund and Decarbonisation Fund to be appropriate?

- 2.1. The Redress Scheme has 3 separate funds. The Main Fund accounts for 70% of voluntary redress funds. The Innovation and Decarbonisation funds each account for 15% of funds.
- 2.2. There was strong support among the consultation responses to retain the current funding split. There was a theme running through stakeholder views that vulnerable consumers should remain the focus of projects funded by the Redress Scheme. However, there was also recognition that the Innovation and Decarbonisation Funds targeted important priorities.
- 2.3. The Authority considers that the current funding split strikes the right balance and will remain as a 70/15/15 split. We will continue to monitor the effectiveness of these funds and the funding split.

Question 2: Do you consider the proportionate funding split between vulnerable consumers and all energy consumers to be appropriate? i.e. 70% to vulnerable consumers and a total of 30% to all energy consumers?

- 2.4. We received a range of views in response to this question. There was some support to prioritise innovation and decarbonisation funding for projects that supported vulnerable consumers. However, there was also support for retaining the current approach.
- 2.5. The projects that have received funding from the Innovation and Decarbonisation Funds to date suggest that they would have been much less effective if they had targeted vulnerable consumers alone. Prioritising the Decarbonisation and Innovation Funds to support vulnerable consumers would limit the potential projects that could be funded and hence limit the new approaches that could be explored to support consumers. Limiting the focus of the Innovation and Decarbonisation Funds to vulnerable consumers would, in our view, undermine the purpose of these funds.
- 2.6. The Authority's broader policy priorities are to protect vulnerable consumers, deliver a net zero economy and enable competition and innovation. The Authority wants the Redress Scheme to continue supporting each of our policy objectives.
- 2.7. The Redress Scheme prioritises vulnerable consumers with 70% of the funding targeting these consumers and there is wide support for the current funding split between the 3 funds (see question 1). Given the scale of the support provided to vulnerable consumers by the Redress Fund, we consider it appropriate that the remaining 30% of funds target the Authority's other wider priorities.
- 2.8. Therefore, we have decided to maintain the 70/30 funding split between support for vulnerable consumers and all consumers.

Question 3: Should a fuel voucher fund remain a permanent feature of the overall Energy Redress Scheme, so that it can react quickly to specific crises?

- 2.9. There was a high level of support for a voucher fund remaining a permanent feature of the Redress Scheme. However, a view did emerge, from the consultation responses, that vouchers were not necessarily a long-term solution to the risk of self-disconnection and should be provided alongside energy advice.
- 2.10. In May 2020, the Authority launched the Covid-19 Crisis Fund, as an emergency measure. The purpose of the fund was to mitigate the impact of the pandemic on vulnerable households, by maintaining adequate energy supplies for health and wellbeing and to avoid self-disconnection. The fund was ring fenced for charities to apply to so that emergency fuel vouchers could be given to consumers who use prepayment meters and were facing critical situations. This scheme ran until April 2021.
- 2.11. Our view is that ring fencing money for fuel vouchers, and targeting vulnerable consumers at risk of self-disconnection, was an appropriate response to the Covid-19 pandemic. The Authority is open to the possibility of reopening the Covid-19 Crisis Fund (and ring-fencing money for fuel vouchers) should circumstances warrant that in the future.
- 2.12. The Authority procured an expert third party to allocate, manage and monitor voluntary redress funds, which ensured that an expert with experience in the charitable sector, fund management and allocation took decisions on assessing and awarding bids and monitoring how they are used. That third party follows our Guidance on the Allocation of Redress Funds when carrying out this service to ensure that voluntary redress funds are well targeted and allocated to maximise the long-term positive impacts for energy consumers, particularly those in vulnerable situations. We are of the view that this should remain the case rather than the Authority further mandating where redress funds should be spent. In this regard, we note that fuel vouchers have been funded from the Main Fund since its inception.
- 2.13. There was support for providing energy advice alongside fuel vouchers, we consider that is most appropriately assessed on a case-by-case basis by the party reviewing the bids to the Redress Scheme in line with our Guidance.

Question 4. If a fuel voucher fund is set up, what type of consumer should be eligible to apply for these vouchers? e.g. vulnerable consumers, pre-payment meter consumers?

- 2.14. Most of the respondents wanted “all vulnerable consumers” (including customers on credit meters) to be eligible for fuel vouchers.
- 2.15. Currently, fuel vouchers that are funded from the Main Fund are open to all vulnerable consumers that meet the definition of vulnerability in the Authority’s Guidance on the Allocation of Redress Funds. The Authority consider that the current arrangement to be appropriate.
- 2.16. The Covid-19 Crisis Fund was ring fenced for charities to apply to deliver emergency fuel vouchers to consumers who use prepayment meters and were

facing critical situations. This restriction was put in place to target fuel vouchers at consumers who were at risk of self-disconnection. If it is necessary to reopen the Covid-19 Crisis Fund, or its equivalent, the Authority will consider if such a restriction is appropriate, based on the prevailing circumstances.

Question 5. What are your views on expanding the applicant scope beyond charities and organisations that partner with charities? If you think the scope should be expanded, do you have any suggestions for how eligibility should be defined? (e.g. what legal structures/status should qualify? Should there be other qualifying criteria?)

- 2.17. We received mixed views on widening the applicant eligibility. There was no consensus on this point. However, some stakeholders were in favour of extending eligibility to include Co-operative Societies, Community Benefit Societies and Community Interest Companies.
- 2.18. Stakeholders have pointed out that restricting access to charities limits the pool of potential applicants to the Decarbonisation and Innovation Funds. We recognise that Community Energy Groups can become involved in owning renewable energy assets. This is a type an activity that we think may benefit from having the option to apply for redress funds.
- 2.19. To address this, we intend to extend eligibility to Decarbonisation and Innovation Funds to include Community Energy Groups that are recognised Co-operative Societies, Community Benefit Societies or Community Interest Companies. We anticipate this change will come into effect when the contract for the management and allocation of redress funds is renewed in February 2022. The process of procuring a company to manage redress funds will consider the proposal further.
- 2.20. We received a limited number of responses suggesting that Local Authorities should have access to the scheme. A number of other responses indicated that charities continue to be in the best position to take forward the projects that are funded under the Energy Redress Scheme, with the addition of some not for profit organisations as indicated in the paragraph above. Charities and certain not for profit groups are targeted and well positioned in their communities to help households engage with energy and climate issues. Local Authority activities are funded by central government and through their own revenue raising powers. To maintain the focus of the support under the Redress Scheme, we consider that the current arrangements, that allow a Local Authority to partner with a charity, offer the best approach for accessing the scheme.

Question 6. How did you find the application process?

Question 7. Did you have a good understanding of the eligibility criteria?

Question 8. Do you have any feedback on what would have made the process better?

Question 9. Should we consider any other areas regarding the Energy Redress Scheme? If so, please provide an outline explanation of your suggested area(s). If possible, please outline any associated benefits and costs with your suggestion(s).

Question 10. Do you have any other general comments or feedback you would like to?

2.21. These questions prompted a range of responses on the experiences of individual applicants to the Redress Scheme. Overall, the application and eligibility criteria were found to be clear and straightforward.

2.22. A variety of potential improvements to the application process and the operation of the funds were suggested. We will consider these points when re-tendering the contract for the Redress Scheme.

3. Next Steps

- 3.1. The contract to manage and allocate voluntary redress funds expires in February 2022. We intend to re-tender the contract in Summer 2021 and plan to announce the result of the tendering process in Autumn 2021.
- 3.2. If you would like to discuss the content of this paper, please contact us at redress@ofgem.gov.uk