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Sent by email

Review of the Energy Industry Voluntary Redress Scheme

SSE welcomes the opportunity to provide our views on Ofgem's Consultation to Review the Energy Industry Voluntary Redress Scheme. In summary, the scheme appears to be managed efficiently, particularly in relation to funds being paid in arrears and only when monitoring reports have been received by the EST. This appears to be the reason as to why only £3.4m has been spent to date while £19.1m has been awarded as grants, as highlighted in the 2020 impact report.

15% is currently allocated to the innovation fund, however from the evaluation report it appears this is currently not being utilised with only 5 projects up to August 2020. It is unclear if this is due to how strict the process is, however we suggest this may merit further investigation by Ofgem.

SSE suggests that there may be benefit in combining the innovation and decarbonisation funds, as the decarbonisation fund directly references "innovation projects which explore innovative approaches" so there is some crossover. Projects dedicated to decarbonisation (where appropriate and well managed) should help support the route to net zero. We also propose that consideration should be given to funding that benefits customers of heat networks.

SSE does not foresee issues in relation to the fuel voucher fund remaining a permanent feature, provided that they are used for specific crises, and that any interest gained from holding these funds in reserve is returned to the fund.

We have been unable to find information regarding the costs of administering the EST and where the funds for this were taken from i.e. from Ofgem's operating costs or from the redress scheme funds themselves. We believe it would be in the interest of consumers, and may support companies to pay into the fund, if this was more transparent.

A detailed response the questions posed is included in Annex A attached.

SSE plc

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We would be happy to meet with Ofgem to discuss any of our points further.

Yours sincerely,

Kieran Alderton

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ANNEX A

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

- The decarbonisation fund was brought in in December 2020 for funding from February 2021. The efficacy of this change is not clear due to it only recently being implemented.
- There may be some benefit in combining the innovation and decarbonisation fund as we would expect the majority of innovation projects currently completed would be for the sake of decarbonisation. The decarbonisation section of the Ofgem guidance specifically mentions “innovation projects which explore innovative approaches.”¹
- In the evaluation report, 15% is allocated towards Innovation however as of August 2020 only £675,178 had been granted to 5 innovation projects. With £7,484,200 in grants being issued by January 2020, this is only 9%, and does not factor in projects funded between January and August 2020. This would highlight a failing in the innovation fund which in our view should be investigated further.
- We feel that the fund could be used to help vulnerable customers on their journey to decarbonisation, for example; helping them to unlock grants for the installation of heat pumps. This will help the goals of Net Zero to be realised while still providing assistance for vulnerable customers.

1.1.2. 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.

- There is an argument that all innovation projects and decarbonisation would benefit vulnerable customers. As above, there may be benefit in combining the innovation and decarbonisation fund. Consideration should also be given to allowing funding to be made available to customers of heat networks.

Louise

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1.1.3. 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?

- We can foresee no issue around the fuel voucher fund remaining a permanent feature for use in specific crises.
- However, this should not be a fund that is added to each year, rather it should be held in reserve in case of these specific crises.
- Any interest earned from holding these funds should be put back into the fund.

¹ [authority_guidance_on_voluntary_redress_amended_november_2020.pdf \(ofgem.gov.uk\)](#) (Page 4)

1.1.4. 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.

- As noted in question 3, the fuel voucher fund should only be used to react quickly to specific crises, rather than being a normal use case for the fund. Consumers should only be made eligible if they have been directly impacted by the crises in question. In instances like these the definition of vulnerable may not be the same as in “normal times”, so the definition must be proportional to the specific crises.
- The possibility of allowing funding for customers of heat networks who are in financial difficulty should also be explored.

1.1.5. 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?)

- Registered charities provide a structure for ensuring that companies can be held accountable and have traceability.
- We feel that there are other organisations such as social housing providers who should be able to apply for funding. Experience has shown that people who don’t own their own homes are reluctant to make changes and so a social housing provider would be able to make changes to benefit their tenants.

1.1.6. Q 6,7 and 8 are only applicable to charities who have applied to the scheme.

1.1.7. 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).

In SSE Airtricity, we have a scholarship programme funded by the SSE Renewables Regional Fund. Over the last 6 years the SSE Airtricity Scholarship has provided education funding to 200 students, allowing people to undertake courses which they may not have been able to do otherwise. There may be benefit in providing part of the fund to supporting people who can then be employed in the energy industry.

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

- We were unable to find information around the costs of administering the EST and where the funds for this were taken from i.e. from Ofgem’s operating costs or from the redress scheme funds themselves. We believe it would be in the interest of consumers,

and may support companies to pay into the fund, if this was transparent. We feel that the company administering the fund should be the one that provides the best value for customers, both in terms of cost but also in provision of support. We have no concerns with the EST being the current administrators but would like to Ofgem to reassess whether they are the best company to continue in their role for the future.