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Dear Mr Holland

Energy sector redress scheme

Thank you for your redress scheme application on behalf of the Ombudsman Service limited (tOSI). I am grateful to tOSI for the further information and clarification provided in Elizabeth France's letter of 16 May and subsequent meeting with her, Richard Sills and Margaret Doyle on 21 May, in support of your application.

On behalf of the Gas and Electricity Markets Authority, I am pleased to provide conditional approval to tOSI for a statutory redress scheme in the energy sector. This approval is given in accordance with Part 2 of the Consumers, Estate Agents and Redress Act 2007 and followed a thorough assessment of tOSI's application and supporting information. Approval of this redress scheme is subject to BERR making an Order of the form indicated in its response document of 21 December 2007.

Governance

We are keen that the safeguards in place are sufficiently robust to ensure that there is no undue influence from any one party or group on the Member Board. It is our understanding that there are limits on the range of decisions which can be taken by the Board, and their role is primarily to monitor performance and allocate funding between case and membership fees. We recognise that the governing structure of the tOSI Council which oversees the Member Board is independent, and Board members can bring concerns about the Board to the Council. Whilst we are content with the proposed governance structure and with the detail of the fee structure provided in the 16 May letter (and explored further in our meeting of 21 May), we will not hesitate to act should evidence of problems be presented to us in the future, and would ask that the Council be similarly vigilant and robust in their actions. The effectiveness of the governance arrangements will be one issue that we will want to consider carefully as part of our review after the first year of operation.

Effectiveness

It is important that the ombudsman is able to act as a one-stop-shop for all consumer disputes including those which may ultimately be determinable such as connection disputes and where technical expertise is required. I note that tOSI original intention was to exclude such disputes but that at the 21 May meeting you confirmed that following discussion with the Electricity Networks Association tOSI had undertaken to amend the terms of reference to make provision for the ombudsman to deal with these cases. We look forward to seeing the revised terms of reference. As Ofgem retains the power to determine, the exact

mechanism for deciding how these cases will be dealt with will be agreed in the Memorandum of Understanding (MoU) between Ofgem and the ombudsman.

Performance

The ability of the scheme to respond effectively to customer demand will be a key part of the new consumer arrangements. We recognise that there is uncertainty regarding the volume of cases the ombudsman will receive in the future and in particular during the transition period, but were given comfort when we met that increased resources will be made available to meet any increase in referrals and cases that may arise and that, drawing on experience to date, you have put flexible arrangements in place to deal with peaks in demand. Nevertheless, we are keen that we are able to monitor performance and to this end we would ask you to provide the following information to us on a monthly basis for the first year of the scheme to be reviewed thereafter:

- number of contacts to the Energy Ombudsman Service split by those which are inside and outside the terms of reference of the Service (i.e. nature of calls/contacts/cases);
- response times between receipt of the complaint form and the issue of the Provisional Conclusion (i.e. time taken by the Energy Ombudsman Service to make provisional rulings on cases);
- telephone response times;
- number of complaints/cases; and
- number of complaints/cases initiated as a result of a deadlock letter.

We expect to formalise these requirements in the MoU between the Authority and tOSI. In addition we would expect tOSI to continue to provide other information as set out in the MoU.

Stakeholder awareness

tOSI undertakes annual customer service research to test the experience of those who have used, or tried to use the scheme. We welcome this work and encourage this to be maintained and for the output to continue to inform future scheme and service development.

In addition, we would also like to see the scope of your research broadened for next year to capture the views of stakeholders on issues such as awareness of and accessibility to the scheme. We would expect to discuss what other matters it would be useful to cover before you undertake your next annual research.


Review

We will carry out a review of the approved scheme 12 months after the date of commencement of BERR's Order. Further reviews will be carried out as necessary.

Colleagues will be in touch with Elizabeth France shortly to discuss and agree the MoU.

Finally, I would like to thank you for your co-operation in clarifying and resolving the outstanding issues and wish you every success with the scheme.

Yours sincerely



Sarah Harrison
Managing Director Corporate Affairs

Copy to: Elizabeth France CBE Chief Ombudsman
David Saunders Director Consumer & Competition Policy BERR