

Changeworks response to Ofgem consultation on allocation of voluntary redress payments in the context of enforcement cases

About Changeworks

Changeworks is a recognised leader in the delivery of solutions that enable people to live and work more sustainably. We are an environmental charity and social enterprise, working in collaboration with public and third sector organisations, schools, communities and businesses to:

- Inspire and enable action to reduce CO₂, waste and fuel poverty
- Build confidence and skills to make sustainable choices
- Share our knowledge and learn from others to maximise our impact
- Deliver the best possible service creatively and professionally.

CHAPTER 2: What we want to achieve

Question 1: Do you agree with our objectives for the allocation of voluntary redress? If not, please explain why.

Question 2: Are there any additional objectives or criteria we should consider when making a decision on our forward approach to voluntary redress? Are there things our approach should definitely include or absolutely avoid?

Changeworks agrees in principle with the proposed allocation of voluntary redress, however our opinion is that the objectives need to be made clearer. At present it is not clear who the target audience is or what the desired outcomes will be from allocating voluntary redress payments to organisations that support energy consumers. What are the outcomes that Ofgem wants to achieve? What are the benefits to energy consumers that are to be maximised?

Changeworks suggests a clearer target audience is identified i.e. low income, vulnerable groups and clearer objectives such as financial, health or behaviour benefits are set.

Target Audience: When domestic energy consumers are harmed, householders in vulnerable circumstances, especially those on low incomes, who are linked to the harm generated, should be the target audience. When business energy consumers are harmed, those businesses linked to the harm which arose should be the target audience, as much as possible.

Objectives: For domestic energy consumers the objective should be to improve financial outcomes and health outcomes as these relate to their energy needs. For non-domestic energy consumers, the objective should be to improve financial outcomes by saving them money on business energy costs.

CHAPTER 4: Overview of options

Question 3: What are your views on ‘Option 1: Current process with enhanced principles’? Are there any other advantages, disadvantages, risks or costs relating to this option that we should consider?

Question 4: What are your views on the possible additional principles outlined in ‘Option 1: Current process with enhanced principles’? Are there further additional principles that would help meet our objectives? Allocation of voluntary redress payments in the context of enforcement cases

Changeworks does not support this approach as we believe it will not meet the requirement for an open and transparent process and will provide opportunity for inconsistent approaches between the different energy suppliers.

In addition a company under investigation would bear the costs of allocating the money which could undermine quality and / or may encourage them to decline voluntary redress altogether.

Changeworks believes voluntary redress payments should be made to an independent organisation that has experience of managing and distributing large sums of money and has a thorough understanding of the charitable sector.

Question 5: What are your views on ‘Option 2: Responsibility given to a third party with appropriate expertise’? Are there any other advantages, disadvantages, risks or costs relating to this option that we should consider?

Changeworks believes Option 2 is the better option and agrees with the advantages outlined in the consultation document. Voluntary redress payment should be allocated to an existing independent organisation with experience of managing and distributing large sums of money and has a thorough understanding of the charitable sector. A suggested organisation could be Big Lottery.

The third party selected should have a track record of successfully promoting funds to the charitable sector.

In order to mitigate limitations, an energy supply company under investigation should produce an impact statement to help them fully consider the consequences of the action resulting from the harm. In addition the beneficial impacts of all voluntary redress funding should be publicised, together with a list of companies which opt not to choose the voluntary redress option.

Question 6: How should the costs of the third party associated with allocating redress be funded?

It is extremely important that the third party administering voluntary redress funding is adequately funded to perform its responsibilities to the required standard. It is common for a fee to be taken from the total fund available. It would be preferable if the fee could be covered by the return on investment of the total monies available. However, a balancing amount should be made available to ensure there are sufficient funds to cover the reasonable costs of the third party responsible for allocating redress.

Question 7: Should the company that made the redress payment have an input into the approval of recipients under this option?

Changeworks considers that there may be energy supply companies who do not necessarily have the expertise to comment on the proposed recipients. In addition, any influence they exert on decisions would affect the transparency of the process. Changeworks does consider that they should be kept informed of who the recipients are and the outcomes of the work conducted.

Question 8: How can we ensure that smaller potential recipients can bid and are not disadvantaged compared to larger potential recipients?

Payments to recipient third sector organisations should be commensurate with the size of the organisation providing opportunity for smaller organisations to apply for smaller amounts, with less paperwork. Larger organisations applying for larger amounts would be required to provide more robust evidence and increased levels of detail. It will be important that the organisation managing the fund has experience of administering different sized funds with appropriate application processes for different sized organisations.

Question 9: What are your views on this 'Variation on Option 2 – Voluntary redress payments go to a charitable trust set up by Ofgem'? Are there any other advantages, disadvantages, risks or costs relating to this option that we should consider, particularly in relation to the DAF provider model set out above?

Question 10: How should the costs of running a charitable trust set up by Ofgem be funded?

Changeworks does not believe setting up another charitable trust is required or provides any additional benefits. There are a number of existing organisations that administer large funds and which have an understanding and experience of organisations supporting energy consumers. In addition a new organisation would have set-up costs;

have no track record and would not bring any economies of scale as a result of their existing fund disbursement activities.

CHAPTER 5: An additional consideration

Question 11: What are your views of the idea of using part of voluntary redress payments to support specific schemes? What are the advantages, disadvantages, risks or costs relating to this idea? What existing schemes could be considered under this approach?

Changeworks does not agree with the proposal of allocating voluntary redress to specific schemes. Projects or services designed and delivered by third sector organisations providing support to energy consumers will be more flexible and appropriate to the community they are supporting. It is extremely important that funding reaches well-designed projects and services which have been through an appropriately rigorous application process.

CHAPTER 6: Overall view

Question 12: Which of the options in this consultation do you think should be used and why?

Changeworks believes voluntary redress payment should be allocated to an existing organisation with experience of managing and distributing large sums of money. An open fund should be set up for third sector organisations to bid into to deliver projects achieving Ofgem objectives in their communities. The fund should be appropriately administered to provide different levels of funding for different sized organisations and different sized projects. Energy companies should be kept informed of who the funding has been allocated to and the outcomes of the work being delivered.

Question 13: Should any other options be considered? If so, please provide an outline explanation of your suggested alternative option(s). Please also outline any associated benefits and costs with the alternative option(s).

Partnership working provides the opportunity for maximum benefits to be realised for energy consumers. Changeworks strongly recommends voluntary redress funds are administered to support partnership working between third sector organisations.