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Ecotricity Response to Consultation on voluntary redress payments

Dear Kieran,

Ecotricity is an independent renewable energy generator and supplier, with around 180,000 gas and electricity customers. At Ecotricity, we have three principal attractions: the greenest energy with the emphasis on investing in new sources of renewable energy; the best customer service as demonstrated by the lowest level of complaints in the industry; and an ethical pricing policy that means every customer gets our best price, regardless of payment method. It is this focus on ethics and principles of excellent customer service that's key to our growth.

We welcome the opportunity to respond to this consultation, and offer our responses to select questions below:

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

Yes, we broadly agree with the objectives set out by Ofgem for the allocation of redress. Ofgem's primary objective of targeting funds appropriately in order to maximise the long-term benefits for energy consumers seems sensible, in order to make the best use of any redress allocation.

2. Are there any additional objectives or criteria Ofgem should consider when making a decision on the forward approach to voluntary redress? Are there things the approach should definitely include or absolutely avoid?

We would like to see a closer link between the consumers affected by the breach and the funding recipients. We'd particularly like to note that when voluntary redress payments are allocated, the wishes of the affected customer base should be taken into account.

If consumers selected their supplier based on certain criteria – for example, because they source their energy from renewable sources – we would expect the allocation of the redress payment to appropriately reflect this.

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 Ofgem should consider?

We generally support the continuation of the current process with additional enhanced principles.

We understand Ofgem's concerns relating to the allocation of redress to charities or organisations that are closely linked to the company under investigation. However, we do not feel that an organisation should be prohibited from receiving a payment simply for being similar to the supplier paying the redress, as they may be the most suitable recipient (as per our answer to question 2).

In order to address these concerns, we think it is important that all public communication emphasises that the payment is being made as a result of a penalty, rather than an independent donation. In addition, precluding the allocation of funds to charities or trusts that contain the supplier name or branding could act as a more viable solution.

We are also minded to agree with the proposal of having the number of recipients proportional to the size of the redress payment. This seems fair and appropriate in order to provide a net benefit to the greatest number of customers.

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?

We would like to see more detail of how the costs of implementing Option 2 would be met. If no redress payments are levied for a certain period, we would like to understand whether the third party responsible for allocating the payments would continue to exist, and if so how it would be funded.

We would not support a scheme that is funded by all suppliers, irrespective of whether they have made a redress payment or not. It would not be right for compliant companies to fund an organisation to administer payments from companies that have been found to be in breach of licence conditions. Were such a funding model to be considered, we would prefer the existing process with enhanced principles.

Regardless of funding source, the overall administration costs of any third party should be kept to a minimum, to ensure consumers are receiving the full benefit of the redress.

Finally, we would be interested in the level of expertise that Ofgem would require from a third party responsible for allocation. It would be vital for any individuals involved to have a suitable background – in order to justify the additional costs of administration – as well as remain impartial when distributing funds.

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

When selecting an option for allocating redress payments, it is vital that Ofgem consider the industry costs and make an informed choice based on delivering the greatest benefit to affected consumers. Any additional costs involved with setting up or running a body to appoint funds should not be unduly onerous, in order to achieve this.

In addition, the expertise of those tasked with allocation is of key importance to ensure funding is targeted as suitably as possible. If the responsibility remains with Ofgem, we would hope to see separate teams or individuals responsible for investigations into wrongdoing and funding allocation.

To conclude; providing the funding model is appropriate and impartiality is maintained, Ecotricity would be in support of either of the options discussed in the consultation.

Ecotricity welcomes the opportunity to respond and hope you take our comments on board. We also welcome any further contact in response to this submission. Please contact James Jackson on 01453 840618 or james.jackson@ecotricity.co.uk.

Yours sincerely,



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