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Kieran Coleman  
Enforcement & Compliance Team  
Ofgem  
9 Millbank  
London  
SW1P 3GE

22 August 2016

Dear Mr Coleman,

**Consultation response: Allocation of voluntary redress payments in the context of enforcement cases**

Please find outlined below the response of Electrical Safety First to the consultation on the proposed improvements to the allocation of voluntary redress payments, that are made in the context of enforcement investigations conducted using Ofgem's powers as stated in the Gas and Electricity Act.

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

Yes, we agree with the objectives for the allocation of voluntary redress to continue targeting charities, trusts and organisations that support vulnerable consumers.

***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?***

The process must be open and transparent, charities, trusts and organisations of all sizes who support consumers both directly and indirectly linked to energy supply should be able to state their case to the expert panel who make the final decision to allow for a wide range of recipients.

***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?***

This option is not preferred as it gives power to the company under investigation to propose the recipients. Although the process has been made more transparent, and we welcome the open bidding process, it does not seem appropriate that the company has the ability to choose who will benefit from any infringements they have committed. The companies may not have the appropriate knowledge to choose from a wide range of possible recipients and may be biased against an organisation that campaigns on behalf of consumers and doesn't share the views of the company in question.

***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?***

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The additional principles are welcome but do not address our deeper concerns with this option as stated in response to the previous question. There remains far too much power and responsibility with the company investigated.

We believe that the monies should be used to support vulnerable customers, not only in relation to their energy needs, but also safety.

**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?**

This is our preferred option as it removes the right to choose from the company under investigation.

The open bidding process would allow for a variety of potential organisations and charities to benefit with a knowledgeable panel to select appropriate recipients. In order to overcome the potential for companies under investigation not volunteering to make payments a representative could be involved in the final decision making process where they can provide an input to the panel with limited ability to influence the final decision.

It would be more appropriate for a third party to take responsibility as there would a risk of Ofgem allocating resources to the service. Ofgem would also have to set up a team with the relevant skills and experience to undertake this function while there are already such parties in the market.

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

The costs of the scheme could be better met by sharing the costs between the company under investigation and interest achieved on the yet to be allocated money.

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

The company under investigation should be allowed to submit a reasoned opinion on a final shortlist drawn up by the panel of experts which the panel may or may not choose to take notice of.

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

An open bidding process, implemented fairly by the third party organisation would allow all potential recipients to clearly state their case. A proportional system could be put in place to ensure that a weighting is used to proportion a certain allocation to smaller 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?**

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A charitable trust set up by and with such close links to Ofgem has the potential to become an extension of Ofgem in this area and therefore not an independent body making it an unappealing choice when compared to the simpler option 2.

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

In order for a charitable trust to be function openly and transparently it would need to be funded as such with minimal or no input from Ofgem. The costs of maintaining such a charitable trust will be high making it an undesirable option as the monies would be better utilised on causes which will directly benefit consumers.

**Question 11: What are your views on the idea of using part of the 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?**

We would fully support using the redress monies to help specific schemes, but only where they are run by a charitable organisation.

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

For the reasons outlined we believe that option 2 would be the most favourable option.

*Response ends*

Yours sincerely



**Phil Buckle**  
**Director General, Electrical Safety First**