

Mr Andrew McFaul
Consultation Co-ordination
Ofgem
9 Millbank
London
SW1P 3GE

24th August 2016

Dear Andrew

Allocation of Voluntary Redress Payments in the Context of Enforcement Cases

Thank you for the opportunity to respond to the recent Ofgem consultation considering the future allocation of voluntary redress payments.

The Gas Safe Charity was established in 2009 along side the inauguration of the new Government mandated gas engineer registration scheme, The Gas Safe Register. The Register was set up by Government to replace the previous registration scheme, Corgi. The charity's focus is to keep consumers safe from gas poisoning, fires and explosion and strives to reduce injury, illness and deaths from gas and carbon monoxide. In doing this it relies on funding from the Gas Safe Engineers, via the Gas Safe Register, and by utilising the seed funding that was provided by Capita, the current scheme provider.

Through the funding provided, the charity has worked with trusted third party intermediaries to raise awareness of gas safety and carbon monoxide with vulnerable people in society, including the elderly and children. These partnerships with organisations such as RoSPA, Age UK, Foundations Independent Living Trust and Royal Voluntary Service have allowed the charity to cost effectively utilise limited funds to maximum effect.

As a charity working in the energy sector with energy consumers, the Gas Safe Charity has a specific interest in this consultation. In particular as we believe that there is both an imminent risk and opportunity looming in respect of the energy Suppliers' smart metering roll out programme. At the point at which meters are installed in customers properties there will be a need to "purge and relight" all in home appliances, thus presenting an opportunity to identify safety issues. However, without the means to address these safety issues, there is a risk that customers will be left without being able to use their existing appliances.

Gas Safe Charity believes that there is a distinct opportunity to look at the redress payments to set up a scheme to aid vulnerable customers in this situation and ensure that there are no negative affects on customers through the roll out of smart meters.

Gas Safe Charity already has a national scheme in place with Foundations Independent Living Trust, where we work with them and the Home Improvement

Agencies to fix vulnerable customers' appliances where they have been found to have significant safety defects. We believe that it is imperative, if the smart roll out programme is to be a success, that no customer is left in a situation of their appliance being condemned and them having no financial means to rectify the situation. If the industry finds its self in this position, then it is likely that the smart meter roll out programme will fail due to bad PR and customers refusing to have meters installed.

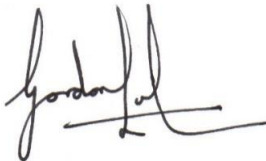
We note from the consultation that there are two options which Ofgem are considering for the scheme going forward - the current arrangement with enhanced principles or putting a third party in place to manage redress allocation. The second option also has a further consideration on whether Ofgem would administer the scheme.

Within the consultation Ofgem has set out a number of questions to frame responses. We have set out our answers to these in Appendix 1.

However in summary the Gas Safe Charity supports Option 2 using a third party provider, as we believe that this will yield the greatest customer benefit, be most efficient and effective to run and ensure that Ofgem does not set up in-house capability to run these schemes, when there is no guarantee of continued redress payments. We would also support the proposal to use part of the voluntary redress payments to support specific schemes and would welcome a discussion with Ofgem on this, if this aspect were adopted.

I would be happy to discuss our response in more detail, should you require.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Gordon Lishman', with a stylized flourish at the end.

Gordon Lishman
Chairman – Gas Safe Charity

APPENDIX ONE

Question 1

Whilst in principle we agree with the objectives for the allocation of voluntary redress, we believe that over the medium term there is a once in a generation opportunity to use the redress monies to improve safety for vulnerable customers through the smart meter rollout programme. This will see engineers going into most domestic premises in Great Britain and identifying problems with installations and appliances.

We would however not support central funding to fix appliances where the customer is in a financial position to do so themselves, but we do believe that where an issue is found in the property of a vulnerable customer monies could be used to take the opportunity to resolve the situation.

To this end we believe that there should be a prioritisation of how funds will be distributed, at least in the medium term until smart meters are installed. In addition we believe that whatever approach Ofgem decides to take, that the predominant factor in providing redress monies has to be value for money.

Question 2

We believe above all that value for money and making the most impact from the monies collected should be a primary driver. To this end we would assert that Ofgem's focus should be on the number of customer helped at least cost per opportunity, rather than concentrating on the number of beneficiaries. The Gas Safe Charity works in this way and we believe that it ensures the best use of funds to deliver maximum effects.

Question 3

We share Ofgem's concern that the current arrangements leave the decision of where monies should go to the party who will pay the enforcement cost. In particular we note that Ofgem has highlighted that in some cases the monies are going to charities or trusts which can include funding party's name (in whole or part) or could easily be associated with the party. In this scenario we do believe that there is the potential for the party to gain reputational benefit from providing money to the associated entity, either unintentionally or otherwise. For this reason we believe that it is inappropriate for monies to be used in this way.

However we recognise that the charities/trust that companies have set up have done a lot of good work and therefore under option 2 we believe that these organisations should be allowed to bid for funding from the third party on an equal footing to other charities/trusts. It could also be a pre-requisite that such charities have to have a joint bid with another charity and for any branding of the initiative to be distinctly different from the party who is paying the redress monies.

We do not agree that there should be a focus on number of charities, but instead that the scheme should be focused on the number of beneficiaries at least cost. If Ofgem were to pursue the proposal to put in bands for voluntary redress payments, we

would be concerned about the administrative burden that this would place on both the companies and on Ofgem in overseeing the scheme.

We believe that there is also a hybrid of option 1, where Ofgem undertake a process of determining eligible charities and then those subject to enforcement could select from them in providing redress monies. However again we would be concerned about the amount of time and effort that Ofgem would have to put into this approach.

For the reasons set out above we would be concerned about using the existing model, even with the enhanced principles, in particular in ensuring that the best value for money is achieved.

Question 4

As stated above we do not believe that it is right to focus on the number of beneficiaries, but instead Ofgem should look achieving the "best bang for the buck".

In respect of using an open bidding process, we believe that this would be resource intensive and not yield any better result than option 2.

We believe that the monies should be used to support vulnerable customers, in particular in relation to their energy needs, but also safety and energy efficiency.

Question 5

We support the option 2 proposal, but with a third party carrying out the work as opposed to Ofgem undertaking the role. This is because we believe that there would be a risk of Ofgem allocating resources to the service and then for there to be no or limited enforcement monies coming forward. In addition Ofgem would have to set up a team with the relevant skills and experience to undertake this function, whereas there are parties who already have such expertise and experience in the market.

Question 6

We believe the cost of any third party should be met through the redress scheme monies, with a proportion of any future redress payments being set aside to be able to continue to fund.

Question 7

We do not believe under option 2 that the company who made the redress payment should be allowed input in the approval of recipient process. This is because we believe that this would elongate the process by making the route to awarding funding more complex (and costly) for the third party managing the redress allocation, if it has to consult before monies can be given. In particular we would note that there could be the situation where more than one Licencee is providing redress payments at the same time and therefore by requiring the third party to consult with each Licencee it could slow down the process of funds being issued.

By not allowing Licencees to be involved in the allocation of funds, it might mean that the process could be used to still allow companies own trusts or charities to bid for money from another company, thus maintaining the good work of these existing bodies.

Question 8

We believe that there are different ways in which smaller organisations can bid for funding. Within the Gas Safe Charity we have in the past run schemes where we have a less onerous application process, with strict criteria for what funding will be awarded for. This process restricted funding amounts and was only given to charities with smaller resources, for example providing funding for office equipment in support of schemes that the small charity is seeking to run.

Also as outlined above there could be a requirement for the company's own charities to partner with other charities, before they would be allowed any funding. This would be a way of supporting these organisations.

Question 9

We do not support Ofgem setting up a charitable trust. In particular as we believe that there are a number of risks to Ofgem in this approach:

- There is no guarantee of redress payments being made or on the profile of them (these depend wholly on Licencees being found in breach of their Licence) – Ofgem could therefore set up the infrastructure for the Trust and not have any monies to distribute or have periods of time where there was a wealth or dearth of funding
- A Trust would be a new concept for Ofgem and therefore they would have to acquire the expertise to set up and run it – there are however many different organisations in the energy sector who already have that capability and could run the scheme on Ofgem's behalf
- In setting up the Trust Ofgem would have to operate it as a separate legal entity covered by charities law – our understanding is that this would be a significant departure from anything Ofgem has done in the past
- By putting the service out to a third party via a tender process, we believe that there would be benefits realised in the cost of running the scheme, which would mean more of the redress monies are used to help consumers, rather than running the administrative service – this should be a principle of any charitable function

Question 10

We do not support Ofgem setting up a charitable trust.

Question 11

We would fully support using the redress monies to help specific schemes, but only where they are run by a charitable organisation. Otherwise we would be concerned that the scheme could be subject to political influence, in particular if Government departments can be allocated funding.

As outlined above the Gas Safe Charity believes that there is a once in a generation opportunity to improve the safety of individuals in their own homes through the smart meter roll out programme.

Gas Safe Charity already has a national scheme in place with Foundations Independent Living Trust, where we work with them and the Home Improvement Agencies to fix vulnerable customers' appliances where they have been condemned. We believe that it is imperative, if the smart roll out programme is to be a success,

that no customer is left in a situation of their appliance being condemned and them having no financial means to rectify the situation. If the industry finds its self in this situation, then it is likely that the smart meter roll out programme will fail due to bad PR and customers refusing to have meters installed.

Question 12

We believe that option 2 should be pursued, for the reasons outlined above.