

**Response To: Ofgem, Allocation of voluntary redress payments in the context of enforcement cases consultation.**

**Response from: Greater Manchester Combined Authority**

**Date: 8 August 2016**

**Greater Manchester Combined Authority (GMCA):**

The Greater Manchester Combined Authority is made up of the ten Greater Manchester councils who work with other local services to improve the city-region. The ten councils are: Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan.

***OFGEM Consultation Response and Questions***

*Ofgem would like to hear the views of interested parties in relation to any of the issues set out in this document. We would especially welcome responses to the specific questions which we have set out which are replicated below. Responses should be received by 24 August 2016 and should be sent to **Kieran Coleman at redress@ofgem.gov.uk**.*

*Unless marked confidential, all responses will be published by placing them in Ofgem's library and on its website [www.ofgem.gov.uk](http://www.ofgem.gov.uk). Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.*

*Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. To the extent information provided in any response contains personal data under the Data Protection Act 1998, the Gas and Electricity Markets Authority will be the data controller. Ofgem (which supports the Authority) intends to use information contained in responses in performance of its statutory functions, including those applicable to voluntary redress payments, and in accordance with section 105 Utilities Act 2000.*

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**Call For Evidence: GMCA Response to Consultation questions**

**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.**

Yes we do, but we also think that the objectives should encompass local authorities and combined authorities as recipients of the redress funds. The appetite amongst local authorities for affordable warmth funding is significant, local authorities have the abilities to deliver large scale affordable warmth programmes. Consequently LAs should be included, as illustrated below:

1. The DECC Central Heating Fund. 82 local authority bids submitted for a share of £25m, 20 bids were funded. The number of interested local authorities was actually much higher than 82 as a lot of bids were consortium bids.
2. The NEA Warm and Healthy Homes Fund (Partnerships Programme). 79 local authority bids submitted for a share of £3.25m, 10 bids were funded. The funding was administered by the charity National Energy Action, and was part of the £26.2m given to them through the voluntary redress arrangements.
3. In 2015 Greater Manchester Combined Authority, working on behalf of all 10 Greater Manchester local authorities, was successful in our bid for Green Deal Communities funding. We were awarded £6.1M, through securing other funds (ECO, LA authority funds) we were able to increase the total project amount to £8.8M. This project delivered on time, and surpassed the target install within budget.
4. In Greater Manchester we have several LAs that deliver their own fuel poverty schemes successfully, some of which are classed as national exemplars and leaders in fuel poverty schemes e.g. Wigan and Oldham Councils in particular for the effective collaboration with Health as well Bolton, Rochdale, Bury, Salford Councils. These LAs are regularly seeking external funds to support the cost of energy efficiency measures to be able to assist vulnerable fuel poor residents, e.g. ECO. Often energy companies or their subcontractors have reneged on ECO funded schemes, which has caused disappointment amongst residents.

**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?**

At least 50% of redress funds should be allocated to Local Authorities. Local Authorities have access to data, and a better understanding of who and where the fuel poor are. LAs have means of working collaboratively to ensure that those most in need have access to energy efficiency measures, e.g. boiler replacements, insulation, e.g. via working collaboratively with the private rented environmental enforcement sector, health colleagues, social workers, etc. In Greater Manchester, GM Fire Services visit over 60,000 vulnerable homes a year, for non-emergency fire related visits, i.e. to provide advice around fire and safety. These officers also provide sign posting to boiler/insulation schemes for residents that they come across living in cold homes.

#### **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?**

It is concerning that the company under investigation is able to select where the redress funds are allocated, even if it is ultimately for OFGEM to make the final decision. The company should be treated in a manner reflecting the manner of their breach. Option 1, does not but, should factor local authorities and making redress monies available to them.

**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?**

Local authorities should be a mandatory recipient of the redress monies.

**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?**

Option 2 is favourable as it removes the option of the company under investigation choosing the recipient of the redress funds. The third party should be requested to allocate a minimum of 50% of redress funds to local authorities. LAs should also have the opportunity to apply to deliver the ‘third party’ role.

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

Third party costs could be included in the redress monies.

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

Utility companies are often the first place a vulnerable customer may turn to if they are encountering problems with paying their energy bills, or keeping warm. For this purpose, assuming the majority of companies under investigation are utility companies, the investigating company should be able to suggest recipients but that this should only be considered advisory

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

If adopting ‘option 2’, allocation of funds to smaller companies could be a specified requirement for the ‘third party’. Caution is needed when awarding to smaller recipients, i.e. do they have a track record of delivering successfully etc.? Do they have the mechanisms in place to deliver etc.

**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?**

The setup of a ‘Ofgem charitable trust’ may take longer and be less efficient than the ‘DAF provider’ model approach where mechanisms and systems are already likely to be in place etc.

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

Funds for setting up a charitable trust could come through the redress. **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?**

This could be a good way of using some of the redress funds, but not all. Third parties who are awarded the funds for distribution should be reputable, reliable organisations such as a Government Dept, and non for profit. Transparency will be important to allow organisations to apply for redress funds. There should be significant marketing and public awareness created to ensure organisations who may be eligible to apply for these funds through the third party organisation know about this opportunity etc.

#### **CHAPTER 6: Overall view**

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

Option two (but not Option two Ofgem charity formation).

This approach appears to present the greatest transparency, value for money and opportunity for a wide variety of organisations to apply for redress funds. It also ensures that the redress funds are not rewarded back to the company under investigation.

**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).**

Local authorities and combined authorities are in an excellent position to ensure that redress funds are utilised in the best way possible. LAs have a breadth of knowledge and experience in assisting vulnerable residents, through a variety of energy efficiency schemes (e.g. installing of physical measures, boilers insulation etc.) as well as providing energy efficiency advice, e.g. switching, tariff advice, fuel debt etc. LAs also work closely with local third sector groups, commissioning them to conduct functions etc. To date, redress funds have rarely been awarded to local authorities, yet it is often local authorities who project manage schemes that assist fuel poor residents. LAs are also able to bring in other sources of funding that may bolster a project.

Costs and data from a recently completed project managed by Greater Manchester Combined Authority:

DECC Greater Manchester Green Deal Communities (Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan.):

Funding Received;  
DECC £6.1M,  
ECO: £589.1K,  
Customer Contribution: £1.2M,  
LA contribution: £948K

Outcomes:

1,302 fuel poor vulnerable homes in Greater Manchester received energy efficiency measures; 900 households received external wall insulation, and over 400 households have received other measures such as central heating, isothane insulation. This project to date has been the largest external wall insulation programme in the private sector (owner occupied and private rented residents) in Greater Manchester, assisting homeowners and private tenants in all 10 Councils in Greater Manchester. The project also invested in an online pattern book which can be used by local contractors to better understand the best materials and install approach for energy efficiency installs. Residents who received measures reported significant savings on their annual fuel bill, and an improved feeling of warmth in the home.

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