

Response to Ofgem consultation: Allocation of voluntary redress payments in the context of enforcement cases

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

Yes

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?

Tackling fuel poverty has been shown to have multiple health and wider society benefits and thus its reduction should be a stipulated objective.

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?

We do not believe that an energy company under investigation should have the right to choose the beneficiary of the redress. This is counter to what we would consider fair as internal unwritten communication may have occurred between the two parties.

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?

Excluding charities that have been established by the energy company would be fair. Increasing the numbers of charities would increase administrative burdens and thus not realistic.

In addition to the redress a portion of funds proportional to the redress should be made available to the charity to administer its distribution and monitoring.

The NEA (Nation Energy Action) is the foremost charity in the UK energy sector that is trusted by all and that could administer all redress funds. Choosing one charity to deliver the competitions for funding would be the fairest and auditable and consistent way of delivering these funds.

Local Authorities often have fuel poverty officers; Liverpool's Healthy Homes officers often encounter fuel poverty and those who need Energy efficiency improvements daily. However more often than not we are unable to help with physical interventions as we do not have the funds. We do not see an option for the funds to be administered by the LA in any of these options.

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?

If this was the NEA we would agree as this is a well-respected and trusted charity experienced in delivery of redress funds. LAs should be able to bid for funds as we are best placed to access vulnerable clients of all energy companies. And often they find us first.

Setting up a separate charity is not required the NEA already performs what OFGEM require.

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

Funding extra to the redress (and proportional to if necessary) to administer the redress fund should be allocated. We believe that this would not only be fair but also forms part of the punitive action.

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

No, none whatsoever

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

- By not requiring matched funding.
- By stipulating that a portion of the redress funds are released quarterly for smaller values bids £10-50k.
- Short non onerous process/ small application form (2 pages) that a 3 person panel sit and chose the successful bids from; standard reporting forms for successful applicants to reduce administrative burden.

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?

This is not required a suitable charity in the form of the NEA exists that can perform this role and not require set up costs

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

If OFGEM go down the route then all the energy companies should contribute to its set up and administration... or the companies that use redress fund the charity post annual accounting and proportionally to the redress amounts.

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?

Who would choose these schemes?

- ECO top-up or gap funding however the energy companies should not be able to utilise their delivery arms as they would essentially be paying themselves.
- Possible fuel poverty programmes delivered by the local authorities
- Emergency payments for boiler repairs for clients who are vulnerable or have families all year round, heating and hot water provisions.
- Enabling works which preclude energy efficiency works going ahead.

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

Option 2 would be our preference but not the creation of a new charity as we believe the NEA already performs this role, is uk wide, trusted and works with multiple organisations including social sector, private sector government and energy to name a few

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 could be an alternative route of disseminating funds as most have fuel poverty or HECA officers. These officers often look for sources of funding for vulnerable clients in fuel/energy poverty having a source of funds for those most vulnerable would be welcomed.