

41a Point Street
Stornoway
Isle of Lewis
HS1 2XF



41a Sràid an Rubha
Steornabhagh
Eilean Leodhais
HS1 2XF

Tel: 01851 70 6121
Fax: 01851 70 2425

www.tighean.co.uk

Fòn: 01851 70 6121
Facs: 01851 70 2425

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

Contact: Brian Whittington
brian@tighean.co.uk

22nd August 2016

Dear Kieran

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

Thank you for the opportunity to feed into the consultation process. I will answer points directly on each question below.

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

Tighean Innse Gall (TIG) fully agree with the objectives for the allocation as laid out under section 2.

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?

One issue which should absolutely be avoided is making redress programmes 'one size fits all' – which would not take into account remoteness, costs of materials, transport and associated on costs. Anything which is urban focused when coming to costs of projects / value for money will discriminate against rural communities, particularly those island based. In the rural context, due to geography, overheads are usually higher, and this should be allowed for when proposals are being assessed.

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?

One significant risk of linking to a formula based on number of recipients which is proportionate to the size of penalty is that it may encourage 'quick wins' which avoid projects which are harder to deliver because they may be located in smaller remote communities. It also potentially rules out supporting innovation in new projects helping vulnerable people. This new fund, could lead to an expansion of innovation and research into ways of tackling fuel poverty and supporting the most vulnerable people. Linking numbers to size of penalty discourages this.

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?

Understandably, the emphasis of this document is to consider how to administer a scheme. It should not be forgotten however, that recipients of funding should not have an overly burdensome bureaucracy also. See Q9.

Paragraph 4.5 suggests a minimum figure supported. Again, if innovation is to be encouraged by a large boost of funding to organisations supporting the vulnerable, then capping an arbitrary figure is not beneficial.

However, bands could be supported using this fund by:

Band 1 – small projects, advice provision no capital required £10,000 - £50,000 to 1 year work

Band 2 – medium projects, capital / no capital & advice provision £50,000 - £250,000 1 – 3 year work

Band 3 – large projects, capital and advice provision with research £250,000 - £1M – 2- 5 year work

Note: for band 2 & 3 funding should encourage collection and collation of data from householders to demonstrate effectiveness of intervention and should encourage further study.

4.8 – such a bidding process could be delivered to achieve the above, and open to community groups as well as large organisations to encourage new approaches.

4.10 Is it necessary for an actual direct link between 'crime and fine' when all funded projects could be branded as redress (in some form) and monies could be added to a central pot, distributed according to principles agreed? Projects could simply be started whenever funds are available. A third party could manage this ongoing with new projects starting all the time, see below.

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 the preferred option of TIG. A major problem faced by organisations supporting vulnerable people in fuel poverty for example is funding. Often projects are very short term, with no follow up available to track measures and no research added to them.

Having a dedicated third party available to organize funding for projects to help those most in need could mean that longer term funding is available, i.e. 3 to 5 years, ensuring follow up with clients, and the potential to research the projects to find best practice. This is an issue with some Trusts currently distributing small grants up to £50,000. This prevents taking advantage of larger opportunities which can respond to deeper levels of fuel poverty, particularly in remote areas.

The advantage of a central fund is that all parties would be able to apply to it (some Trusts have limited focus). Marketing of such a fund would come under overall management of it, and a body set up or appointed would need sufficient knowledge of community based organisations working in fuel poverty / climate change or energy efficiency.

The disadvantage of a donor advised fund could be that select organisations only gain funding from it, with smaller, less connected community focused groups excluded.

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

Costs for establishing or joining such a scheme should be met by the energy companies outwith allocated redress agreements.

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

No, for the majority of the funds, given that redress funding can help those most vulnerable, funds should be available to projects which are not dependent on links to energy companies. See our answers to questions 5 & 13 for our rationale for this.

A third party would allocate funding through an application based process, for the funds allocated to it. Trusts could continue to distribute smaller funds. This simplifies the procedure and helps ensure transparency but maintains the expertise accrued in the Trusts.

However, companies could be encouraged to promote the scheme to organisations which they are aware of in areas of concentration of customers, so that they can apply for funding.

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

By opening up the process, and having banded options, any group may apply as long as they have the capacity to deliver such a scheme. Marketing of such a fund would be essential to ensure a wide spread of types of project and geographical distribution.

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?

Is there a need for a new trust to be set up, when other mechanisms are in place already? The Big Lottery Fund has considerable experience of awarding grants, monitoring and reporting to government and the charity commission, and could easily have a new remit offered to fund fuel poverty alleviation / carbon reduction / research projects through strict guidelines agreed by the industry and expert partners in the field. Indeed a BIG Energy Fund could be set up, with a steering group supported by voluntary Trustees.

The DAF provider model could mean that companies claim tax relief on what is a payment in lieu of a fine. Whilst this may increase payments to the scheme, it does go against the spirit of redress not benefiting the company. Note, at the time of writing we had not sufficient advice available on this matter.

However, a DAF model narrows the potential to limited projects, delivery groups and end recipients. Opening up to a simple fund for projects removes this and opens the door to many more organisations.

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

Costs for establishing or joining such a scheme should be met by the energy companies outwith allocated redress agreements.

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?

Yes, TIG would recommend the inclusion of projects which may on the face of it benefit a relatively small number of recipients, however, if linked to research could potentially benefit many more if leading to change in methods of working or policy. For example, a project looking at supporting a defined group of vulnerable people directly benefitting 10 households, which costs £100,000 but could lead to better ways of supporting thousand recipients, would surely be a positive use of redress funds. This links to the rationale of our answers given in questions 5 & 13.

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

TIG believe that Option 2 should be used as this gives the opportunity for:

- Set up of a BIG Energy Fund – distributing funds whilst maintaining a role for current Trusts
- Could 'piggy-back' on the Big Lottery Fund with mechanisms in place
- Dedicated project funds available to a wider range of organisations
- Longer term funding available for continuity of support
- Opens up an application process for a wider pool of entrants
- Increases innovation in projects and could lead to more research, establishing best practice

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).

Tighean Innse Gall believe that supporting a new BIG Energy Fund would help reach considerably more people in need. However, there is a valid reason not to throw the baby out with the bathwater and to maintain a role for energy company trusts. We therefore propose that funds could be allocated on the basis of 80% to the BIG Energy Fund, with 20% to existing Trusts or bi-lateral agreements with charities.

Yours sincerely

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

Stewart Wilson BSc(Arch), B.Arch, Dip BP, Cert Bld Diag, IMAPS
Director

Appendix 2 - Feedback Questionnaire

Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Do you have any further comments?