

Kieran Coleman
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Dear Kieran,

Ofgem consultation – allocation of voluntary redress payments in the context of enforcement cases

Response from Turn2us

Voluntary redress payments are made by energy companies investigated by Ofgem where enforcement action has been recommended. The purpose of the voluntary redress payments is to use money from the company to counteract the negative effects of its behaviour by supporting energy consumers in Great Britain, in particular consumers in vulnerable circumstances. Payments have been made to charities nominated by the companies investigated. Ofgem wishes to improve the process of allocation of voluntary redress payments and to ensure that these payments deliver maximum benefit for energy consumers.

Current process

At present, the company under investigation is responsible for proposing who the recipient (s) should be to Ofgem, who then approve or reject the proposal. Guidance on proposal criteria was set out in an open letter of 14 December 2015. The principles for charities, organisations or projects to support that are nominated by the company include:

- The proposed organisation must be reputable and financially solvent
- Where possible, there should be a link between the breach and type of project supported
- The company should not gain benefit, financial or other from voluntary redress e.g. derive positive publicity
- Where harm has a particular geographic scope, voluntary redress payments should take this into consideration where practicable

Ofgem also stated in this letter that they are increasingly looking to encourage diversity among the organisations which receive voluntary redress payments and whether further mechanisms can be introduced to promote transparency and confidence in the allocation of voluntary redress payments.

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TURN2US.ORG.UK

About Turn2us

Turn2us is a national charity that helps people in the UK in financial hardship to gain access to welfare benefits, charitable grants and support services – online, by phone and face to face, through partner organisations and our volunteers.

Response to the consultation and questions

As a national charity that helps people in vulnerable circumstances, Turn2us welcomes the improvements to the current process used by Ofgem to allocate voluntary redress payments to charities, trusts and organisations.

An open bidding process that includes clear qualifying criteria and timescales for application would allow a range of not-for-profit organisations to present funding bids aligned to the criteria set by Ofgem. Open bidding would enable Ofgem to access a range of suitable bids that align with the principals of the funding scheme and deliver best outcomes for vulnerable customers.

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

Both options proposed (keeping the process similar to what is currently in place and publish additional principles to support decision –making, or have an independent third party responsible for allocating, managing and monitoring voluntary redress payments) are an improvement on the current process which is not transparent to potential applicants in the not-for-profit sector.

Open competition will enable not-for-profits to have fair access to the application process and for Ofgem to encourage high-quality applications to provide services in the best interests of people in most need of help.

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 criteria used to assess applications can be further defined to encourage applications to deliver services that meet specific needs e.g. fuel poverty. Customers facing fuel debt are also vulnerable to other financial pressures and it would be helpful to address this.

It would be useful to include a theory of change as part of the process i.e. to identify the problems being tackled by funded services and the outcomes that they aim to achieve.

Question 3: What are your views on the possible additional principles outlined in “Option 1: Current process with enhanced principles.” Are there any other advantages, disadvantages, risks or costs relating to this option that we should consider?

The Charities Commission website includes good information on the aims, mission, work and outcomes of applicants that are registered charities, include annual reports and accounts.

It may be necessary to include a complaints and feedback procedure.

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?

An open bidding process enables charities other than those established by energy companies to compete on a fair basis and to be assessed on providing best outcomes and services. The proposed open bidding process also enables less well-known charities to have their application considered on an equal basis to larger charities or those well known to Ofgem and the energy companies. Providing key dates for the application process is fair to both the organisations applying and to the administrators of the grant process.

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?

Third party organisations provide expertise and economies of scale in administering charitable funds in accordance with principals set out by funders. The process would need to be transparent and include clear qualifying criteria. Independence of decision making for the third party organisation would ensure impartiality.

The redress payment is set in accordance with the harm caused and this in itself should influence the behaviour of companies.

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

The allocation of funds to a third party could itself be subject to a tender process to ensure value and best outcomes for beneficiaries.

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

The open bidding process should ensure fairness for small charities. Small charities may also be best placed to deliver on specific, locally based issues.

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

Potential recipients need to be informed of the opportunity to bid. Awareness of the application process, including deadlines and key dates is important and can be increased through communication channels including “Third Sector”, “Guardian Voluntary Sector News” and “Funding Central”. The application process should not be so onerous that large amounts of charitable resources are used to comply with the process.

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?

Including charities for consideration for specific schemes enables a wider choice of organisations to deliver funded projects.

Yours sincerely,

Kathie Clark
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Turn2us