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Kieran Coleman  
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Our ref

Your ref

Date

16 August 2016

Dear Kieran,

**Allocation of voluntary redress payments in the context of enforcement cases**


I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc.

WPD supports Ofgem's proposals for improving the transparency of voluntary redress payments. We agree that making voluntary redress payments should not provide companies with an opportunity gaining for positive publicity from poor customer service.

We support the proposals for an independent third party to be responsible for allocating, managing and monitoring voluntary redress payments via an open, transparent bidding process to identify and select funding recipients. We agree that a wide range of potential funding recipients, focusing on vulnerable customers, should have an opportunity to receive funding and deliver measurable benefits.

Whether Ofgem opts for a Donor Advised Fund (DAF) provider or an Ofgem administered charitable trust, it is most important that Ofgem maintains oversight to ensure that projects deliver value for money and maximum benefit for consumers.

Yours sincerely



ALISON SLEIGHTHOLM  
Regulatory & Government Affairs Manager

## DETAILED QUESTIONS

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

*The primary objective should be to maximise long-term benefits for energy consumers by ensuring that funding is well targeted and value for money is achieved.*

**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?**

*We agree that going forward a key objective should be to ensure appropriate monitoring and reporting is in place, in order to demonstrate that benefits are delivered and the value for money is achieved.*

**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?**

*Option 1 does not provide sufficient robustness to ensure that benefits are delivered and the value for money is achieved. We support the need for greater transparency in this area.*

**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?**

*See answer to Question 3.*

**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?**

*We support Option 2. A key role would be monitoring the use of the money, conducting value for money assessments and providing reports to Ofgem. We would support the publication of reports. We would expect the cost of using a third party to be outweighed by the benefits of delivering value for money projects.*

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

*No comment.*

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

*No.*

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

*No comment.*

**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?**

*Whether Ofgem opts for a Donor Advised Fund (DAF) provider or an Ofgem administered charitable trust, it is most important that Ofgem maintains oversight to ensure that projects deliver value for money and maximum benefit for consumers.*

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

*From the redress money.*

**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?**

*No comment.*

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

*We support Option 2 as this is the most effective way to monitor the use of the money, to ensure the delivery of value for money projects.*

**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).**

*No comment.*