

Guidance

Authority Guidance on the Allocation of the Redress Fund

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Authority Guidance on the Allocation of Redress Funds

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1. The Service Provider shall ensure that the overall funds for each year are allocated to achieve the following outcomes:
 - Deliver benefits to the types of consumers that were negatively impacted by the breach(es) that have occurred; and
 - Support the Authority’s policy priorities, which may be updated from time to time; our current priorities are to support:
 - energy consumers in vulnerable situations¹
 - the development of products and/ or services, which are genuinely innovative and not currently accessible to energy consumers or certain groups of energy consumers².
 - products and/or services that focus on tackling decarbonisation for the benefit of energy consumers, including those in vulnerable situations.
2. We expect the Service Provider to identify the most appropriate mix of projects and recipients to ensure maximum long-term consumer benefit from the overall funds. Therefore, the Service Provider may determine the levels of funding allocated to deliver benefits to consumers negatively impacted by the breaches and to support energy consumers in vulnerable situations. The Service Provider may also allocate a small proportion, which we expect would be up to 15%, of the overall funds to the development of innovative products or services and up to 15% of the overall funds to the development and/or provision of products and/or services that tackle decarbonisation.
3. We expect the Service Provider to allocate funds to a variety of charitable recipients and projects, such that support is provided in each year to energy

¹ See [Ofgem's Consumer Vulnerability Strategy](#).

² For information on ways that Ofgem supports innovation, see details of our [Network Innovation Funding](#) and the [Innovation Link](#).

consumers from a range of geographical locations across Great Britain, including the devolved regions. This may include allocating funding to the following:

- national, regional or local charitable projects; and/ or
- projects involving local authorities in partnership with charitable organisations.

Consumers negatively impacted by the breach(es) that have incurred

4. As there are a wide range of relevant requirements on energy companies, some breaches may impact particular types of consumers whereas others may impact all consumers to an extent. For example, domestic and non-domestic consumers may be harmed by different breaches of the licences, or no identifiable consumers may be harmed directly in the case of a breach of environmental targets being missed.
5. To enable the Service Provider to identify the types of consumers negatively impacted by the breaches, the Authority may provide information further to that contained in the penalty notices³, or other relevant public documents about the harm caused by the behaviour for each enforcement action that results in a voluntary redress payment, including any geographical considerations (i.e. if the harm was to energy consumers in a specific part of Great Britain).

Consumers in vulnerable situations

6. To enable the Service Provider to identify **consumers in vulnerable situations**, we define this as when a consumer's personal circumstances and characteristics combine with aspects of the market to create situations where they are:
 - significantly less able than a typical consumer to protect or represent his or her interests in the energy market; and/or

³ The penalty notice published by Ofgem for each enforcement case sets out the calculation of the penalty amount. For more information on the penalty notice and Ofgem's enforcement process more generally, see [Ofgem's Enforcement Guidelines](#).

- significantly more likely than a typical consumer to suffer detriment, or that detriment is likely to be more substantial.
7. Vulnerability can impact consumers at different points in their lives and can manifest itself in a number of ways, such as facing difficulty in paying energy bills, or being less able to make effective choices in the energy market. A wide range of factors can exacerbate vulnerability ranging from living on a low income, to having disabilities or illness and/ or a reliance on electricity for heating.
 8. To support consumers in vulnerable situations, Ofgem has conducted research and made proposals for best practice or regulatory requirements in a number of areas (such as, affordability, debt and disconnection, prepayment meters, free essential non-financial services and network innovation). These are set out in more detail our Consumer Vulnerability Strategy.
 9. The Service Provider is not restricted to allocating funding to projects related to the areas outlined above, and may allocate funding to any projects which provide net benefits to any energy consumers in vulnerable situations. These may include initiatives for digitally excluded, less able, low income or other energy consumers in vulnerable situations, who may benefit from measures that reduce energy bills, improve energy efficiency and/ or improve quality of service.

Decarbonisation products and services

10. The Authority also wishes the Service Provider to support the development and/or provision of products and/or services that target decarbonisation, and as such may, allocate funding to decarbonisation projects that have a realistic prospect of delivering benefits to existing and/ or future energy consumers and as with all projects, are efficiently managed and provide value for money.
11. The types of decarbonisation projects which fall within this category are open ended and should be kept under review by the Service Provider.
12. Examples of the types of decarbonisation projects that could be funded include (but are not limited to):
 - Capital or development funding to bridge the viability gap and enable the development of renewable energy projects which benefit energy consumers;

- Innovation projects which explore innovative approaches to engage energy consumers with demand-side management, virtual power plants, smart EV-charging, microgrids etc.;
- Projects aimed at empowering people in vulnerable situations to reduce their carbon emissions
- Innovation projects increasing community ownership of or engagement with energy assets which reduce carbon.

Innovative products and services

13. The Authority also wishes the Service Provider to support the **development of innovative products or services**, and as such may allocate funding to projects that meet the following criteria:
 - Have a realistic prospect of delivering benefits to existing and/ or future energy consumers; and
 - As with all projects, are efficiently managed and provide value for money.
14. There are two potential types of innovative projects which are relevant:
 - Testing or trialling the roll-out of products or services that are ready to implement but not yet accessible to energy consumers or certain groups of energy consumers; and
 - Conducting research or analysis into the development of products or services not yet accessible to energy consumers or certain groups of energy consumers.

Requirements in allocating funding

15. Where the Service Provider allocates funds to testing or trialling of innovative products, it must ensure that the recipient and/or delivery partners obtain consent from energy consumers involved in the test or trial. The Service Provider must ensure that the recipient provides consumers with the full details of the product or service, the duration and scope of the trial or test and the potential benefits as well as risks to the consumer, including those which may manifest after the trial. For example, where this involves installing products in consumers' premises, this should include potential impacts on the consumers' premises as well as on energy consumption, bills etc.

16. The Service Provider must ensure that the recipient and its delivery partner(s) safeguard the consumer against potential risks or detriment that may arise as a result of the installation of products in their premises, or in the provision of services, by ensuring the recipient and its delivery partner(s) have appropriate insurance guarantees in place. It must also ensure that where any detriment occurs to the consumer or its premises as a result of the installation of products or the provision of services, the consumer is fully compensated. While this is particularly important for customers in vulnerable situations and/or those involved in the test or trial of innovative products (including where any detriment arises after the period of the trial), it applies to the provision of all products or services funded from Redress money.
17. In respect of all funding, the Service Provider must ensure energy companies making the voluntary redress payments do not derive any benefit from the allocation of funding to charitable recipients. Therefore, the funds must not be allocated to charities or trusts established by the energy company that made the voluntary redress payment and/or whose name includes, or is similar to, the name of that energy company nor should projects market or brand the company(ies) paying the fund.
18. In allocating funding to recipients, the Service Provider should use expertise of the British energy markets and the needs of existing and future consumers in making such decisions.
19. We expect the Service Provider to allocate funding within a reasonable timescale (we may in the future specify a timescale within which funding must be allocated) and for an appropriate duration in order to optimise consumer benefit. As such, it may be appropriate to allocate the funds over a multi-year period, such as two years. We also expect the Service Provider to put in place appropriate monitoring and to phase payments to allow funding to be contingent upon particular outcomes being achieved and/ or funding to cease and be re-directed if necessary.
20. **This guidance may be amended from time to time at the Authority's discretion.**

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