



Kieran Coleman
Sent via email to redress@ofgem.gov.uk

Reply to
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Date

Marvin Rees
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24 August 2016

Dear Kieran

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

Response From: Core Cities

Date 24th August 2016

Core Cities is a unique and united local authority voice. We represent the councils of England's eight largest city economies outside London (Bristol, Birmingham, Manchester, Leeds, Liverpool, Newcastle, Nottingham and Sheffield) along with Glasgow and Cardiff. Together we represent 18m people and 28% of the combined economic output. Working in partnership, we aim to enable each city to enhance their economic performance and make them better places to live, work, visit and do business.

As part of this we have considerable experience of delivering fuel poverty and energy efficiency projects and represent a large proportion of people affected by the actions that have led to the voluntary redress payments.

Question 1

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

Yes we do, but we also think that the objectives should encompass local authorities and combined authorities as recipients of the redress funds. The appetite amongst local authorities for affordable warmth funding is significant, local authorities have the abilities to deliver large scale affordable warmth programmes. Consequently LAs should be included, as illustrated below:

1. The DECC Central Heating Fund. 82 local authority bids submitted for a share of £25m, 20 bids were funded. The number of interested local authorities was actually much higher than 82 as a lot of bids were consortium bids.
2. The NEA Warm and Healthy Homes Fund (Partnerships Programme). 79 local authority bids submitted for a share of £3.25m, 10 bids were funded. The funding was administered by the charity National Energy Action, and was part of the £26.2m given to them through the voluntary redress arrangements.

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 requirement for an open bidding process needs to have a minimum budget attached in order to offset the costs of the bidding process. This could be achieved by combining small payments together over a set period over 6 months or a year. Currently local authorities are not given the opportunity to bid, and if one of the objectives is to broaden the number of projects receiving funding they should be allowed to receive funding

At least 50% of redress funds should be allocated to Local Authorities. Local Authorities have access to data, and a better understanding of who and where the fuel poor are. LAs have means of working collaboratively to ensure that those most in need have access to energy efficiency measures, e.g. boiler replacements, insulation, e.g. via working collaboratively with the private rented environmental enforcement sector, health colleagues, social workers, etc.

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 support this option as currently laid out. We believe that local authorities should have the opportunity to directly bid for funds as many perform an important role in bringing assistance to residents in fuel poverty. Local authorities will comply with all of the conditions laid out in section 3.2 in particular 3.2.2, 3.2.4 and 3.2.5 and many are experienced at working with third sector organisations to deliver grass roots projects working with people in communities to alleviate fuel poverty.

We note that in previous rounds, local authorities have had the opportunity to bid for funding indirectly from organisations that had received redress money, therefore we see no reason why local authorities should be excluded at the first stage. If local authorities are excluded at the first stage they have to fulfil 2 sets of criteria before receiving funding and this can lead to complications.

In addition, Local authorities have the experience of monitoring projects to be able to provide the evaluation needed and to help third sector parties with evaluation

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?

We support these principles. It is concerning that the company under investigation is able to select where the redress funds are allocated, even if it is ultimately for OFGEM to make the final decision. The company should be treated in a manner reflecting the manner of their breach. Option 1, does not but, should factor local authorities and making redress monies available to them.

We also feel that the ban on charities associated with energy companies receiving funding for this work should extend to all companies not just the one giving voluntary redress or the public may perceive a cosy club of the Big 6 providing funding to each other's charities, which would have a negative effect on the principle of voluntary redress.

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 do not have any objections to option 2, so long as organisations such as Local Authorities/Local Authority consortia/Regional Bodies (i.e. Combined Authorities/LEPs) are also able to bid for funding on an even footing to other parties. The third party should have no connections to any party that may be required to make a voluntary redress payment.

Question 6

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

Costs should be kept to a minimum through a thorough and transparent procurement process. Costs should be offset by any interest earned on payments received and not yet distributed.

Question 7

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

No. However the company could have an input into the conditions of the grant, for example if a particular geographical area or type of customer has been particularly adversely affected, data on that would be supplied meaning the company would be required to think about the consequences for consumers of their actions. Utility companies are often the first place a vulnerable customer may turn to if they are encountering problems with paying their energy bills, or keeping warm. For this purpose, assuming the majority of companies under investigation are utility companies, the investigating company should be able to suggest recipients but that this should only be considered advisory.

Question 8

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

If adopting 'option 2', allocation of funds to smaller companies could be a specified requirement for the 'third party'. Caution is needed when awarding to smaller recipients, i.e. do they have a track record of delivering successfully etc.? Do they have the mechanisms in place to deliver etc?

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?

We would have no objection to this arrangement so long as organisations including local authorities have the opportunity to bid for funding in a fair and transparent process. However The setup of a 'Ofgem charitable trust' may take longer and be less efficient than the 'DAF provider' model approach where mechanisms and systems are already likely to be in place etc.

Question 10

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

This should come from the interest earned on fines which have not yet been allocated/paid out. To avoid this becoming a disincentive to release grants, the charitable trust should also be able to claim running costs from

the capital grants available, up to a pre-agreed limit.

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?

We have had great difficulty in the past in keeping successful schemes running when their initial funding provided for a pilot project has run out. We would therefore welcome it if existing schemes were able to be supported, particularly if this included local authority schemes. However this should be limited to a proportion of the redress payments levied.

Question 12

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

Of the options presented, option 2 is the most suitable. However, we would recommend improving this option as highlighted in Q13 below to help direct the funding to vulnerable people living in deprived local areas more effectively.

Question 13

We believe strongly that local authorities should be able to access the funding directly, and that it should be possible to use it to support successful existing schemes where the initial funding has expired.

- Local authorities often already have extensive links within the community, including through third party and charitable organisations.
- Often where schemes have proved successful, the funding to support these runs out just as the scheme is becoming known to referrers and community networks, therefore it becomes difficult to maintain local knowledge of what is available over the long term.
- Multi-year funding for some projects will allow stability and the time to properly establish and fully complete a project.
- To date, redress funds have rarely been awarded to local authorities, yet it is often local authorities who project manage schemes that assist fuel poor residents. LAs are also able to bring in other sources of funding that may bolster a project.

Yours sincerely



Marvin Rees
Mayor of Bristol