

Highland Affordable Warmth Partners Group response to Ofgem consultation on allocation of voluntary redress payments in the context of enforcement cases

Highland Affordable Warmth Partners Group is a partnership made up of representatives from a range of organisations (see below) which has an agreed objective to achieve fewer households living in fuel poverty in Highland.

We aim to achieve this by:

- Reducing energy demand and carbon emissions through facilitating improved energy efficiency in privately owned; privately rented and social rented housing;
- Increasing the action taken by households to reduce their fuel poverty as a result of awareness raising through good quality information and advice;
- Reducing the cost of fuel, particularly in rural parts of Highland;
- Maximising householders' incomes;
- Delivering targeted and measured activities which are based on an understanding of fuel poverty (affordable warmth) and priorities.

Highland Affordable Warmth Partners Group comprises the following members:-

- Highland Council Housing Team: Brian Cameron, Emma Micklethwaite
- Highland Council Energy & Sustainability Team: Eddie Boyd, Eric Dodd
- Highland Council Finance: Sheila McKandie and Gavin Munro
- Changeworks Resources for Life: Bob Grant Alison Craig, Jamie Noble
- Citizens Advice: Carol Greer, Alan Rooney, John Bratchell–Hunt,
- NHS Highland: Margaret Brown
- Energy Saving Trust: Mark McArthur
- Lochalsh and Skye Housing Association: Moira Scobbie
- Energy Action Scotland Barbara Atterson

Highland Affordable Warmth Partners Group's response to the Ofgem consultation on allocation of voluntary redress payments in the context of enforcement cases is given overleaf.

CHAPTER 2: What we want to achieve

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

Highland Affordable Warmth Partners Group agrees in principle with the proposed primary objective to “maximise long term benefits for energy consumers by ensuring that funding is well targeted”.

Highland Affordable Warmth Partners Group would like increased clarity regarding:-

- The long term benefits to be maximised:
 - For domestic energy consumers these should specify objectives to increase financial outcomes and health outcomes for energy consumers related to saving them money on their domestic energy costs; and / or increasing income and income entitlements.
 - For non-domestic energy consumers: these should specify objectives to increase financial outcomes related to saving them money on business energy costs; or increasing business income relating to energy initiatives.
- The energy consumers who should benefit: Highland Affordable Warmth Partners Group agrees that
 - When domestic energy consumers are harmed, beneficiaries should be those in vulnerable circumstances especially those on low incomes; who are linked to the harm generated as much as possible.
 - When business energy consumers are harmed, beneficiaries should be those linked to the harm generated as much as possible.

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?

See above

CHAPTER 4: Overview of options

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?

Highland Affordable Warmth Partners Group does not support developing the current approach with enhanced principles for a number of reasons as set out below:-

- The company under investigation would bear the costs of allocating the money which means there is a risk that insufficient costs are spent ensuring the process is carried out to a quality standard.
- The company under investigation may opt to decline voluntary redress if the process is too expensive.
- There will be inconsistent approaches between the different energy suppliers.
- It is not clear how an open bidding process would be successfully operated and this is critical to achieving an open or transparent process.

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

Highland Affordable Warmth Partners Group does not support this approach.

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?

Highland Affordable Warmth Partners Group is strongly in favour of Option 2 and strongly agrees with all the advantages recognised in the consultation document.

The third party selected should have a track record of successfully promoting funds to the charitable sector.

Highland Affordable Warmth Partners Group suggests the following ways to mitigate the limitations recognised as follows:-

- Companies under investigation should produce an impact statement to help them fully consider the impact and consequences of what they have done.
- Companies under investigation should be strongly encouraged to make redress payments. This should be done by publicising the beneficial impacts of all voluntary redress funding and by publicising which companies opt not to choose the voluntary redress option.

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

It is important that the organisation administering the payment receives the funding it requires to perform its responsibilities adequately. Highland Affordable Warmth Partners Group agrees with the method proposed in the consultation.

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

No, Highland Affordable Warmth Partners Group considers that the company that made the redress payment should not have an input into the approval of recipients. This is because energy companies may try to exert influence on decisions which could undermine the transparency of the process.

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

The fund should be administered to provide different levels of funding for different sized organisations and different sized projects. There should be opportunity for smaller organisations to apply for smaller amounts, with less paperwork; and for larger organisations to apply for larger amounts and to provide more robust evidence and increased levels of detail. Organisations, such as Big Lottery, are very experienced in administering different sized funds with appropriate application processes for different sized organisations.

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?

Highland Affordable Warmth Partners Group does not favour Ofgem setting up a new charitable trust because:-

- There are a number of existing organisations that administer large funds and have an understanding and experience of organisations supporting energy consumers; and they would bring an economy of scale and reduce overheads of running the fund;
- A new organisation would have set-up costs; have no track record and would not bring any economies of scale as a result of their existing activities.

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

Highland Affordable Warmth Partners Group does not favour Ofgem setting up a new charitable trust.

CHAPTER 5: An additional consideration

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?

Highland Affordable Warmth Partners Group does not agree with the proposal of allocating part of voluntary redress payments to support specific schemes. This is because long term benefits for energy consumers will be maximised by ensuring that funding reaches well designed projects and services which have been through an appropriately rigorous application process.

CHAPTER 6: Overall view

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

Highland Affordable Warmth Partners Group considers Option 2 to be the most preferable option.

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).

Highland Affordable Warmth Partners Group considers Option 2 to be the option which would best maximise the long term benefits for energy consumers.

Brian Cameron on behalf of Highland Affordable Warmth Partners Group

22 August 2016