

# **LGA response to Ofgem consultation: Allocation of voluntary redress payments in the context of enforcement cases**

18 August 2016



The Local Government Association (LGA) is the national voice of local government. We work with councils to support, promote and improve local government.

We are a politically-led, cross party organisation which works on behalf of councils to ensure local government has a strong, credible voice with national government. We aim to influence and set the political agenda on the issues that matter to councils so they are able to deliver local solutions to national problems. The LGA covers every part of England and Wales, supporting local government as the most efficient and accountable part of the public sector.

## **1. Introduction**

We welcome the consultation from Ofgem on the allocation of voluntary redress payments by energy providers and the aim of improving the process for the maximum benefit of energy consumers. With the volume of payments<sup>1</sup> allocated through the scheme rising it is timely for Ofgem to consider the robustness and transparency of the process.

This response has been agreed by the LGA's Environment, Economy, Housing and Transport (EEHT) Board. The EEHT Board has responsibility for LGA activity in relation to the economy and environment, including: transport, employment and skills, economic development and business support, housing, planning, waste and climate change.

## **2. Making best use of the redress payments**

Redress payments can be passed on to “charities, trusts and organisations” by the energy companies. The allocation of payments is difficult to track, but we have no knowledge of any payment being made to a local authority to invest in community energy work. This is a missed opportunity. Allowing councils and a wider range of organisations to access the payments would allow many more energy consumers to benefit. As payments are increasing, there should be scope for a wider range of organisations to benefit without disadvantaging those who may be reliant on redress payments for funding.

To illustrate the benefits of enabling councils to receive payments from the redress fund there are a set of examples of council led projects at the end of this submission.

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<sup>1</sup> Ofgem allocated voluntary redress payment of around £20 million in 2015-16.

# Submission

### **3. Recommendation for improving the system**

Under the current system, energy suppliers nominate organisations to receive money from the redress payments. Ofgem may accept or reject the nomination, but they are not provided with any explanation or insight into why they were selected. This process is not transparent and many have unintentionally excluded organisations who could make effective use of the payments.

We have considered the two options proposed by Ofgem in the consultation paper:

- 1) Retain the current system with some modifications and the additional of a bidding process
- 2) Ofgem's preferred option of placing allocations, management and monitoring with a third party

Keeping the current system in place with a few changes does not go far enough in reforming the system. We do not have a view on who should run the scheme, but we do support the intention of option 2 to increase the transparency of the scheme and make it more accessible to a wider range of organisations.

Any new system of management must be cost effective and avoid imposing unnecessary bureaucracy on applicants.

### **4. Further comments**

Ofgem may wish to consider whether the current loose description of "charities, trusts and organisations" as beneficiaries sends out the right messages to councils. A specific mention of councils would help to avoid confusion and signal that the payments are intended for a wider group of stakeholders.

Companies making voluntary payments and Ofgem will have an interest in how the money is spent. While some monitoring will be necessary it should not be an onerous process. We would be happy to discuss this in more detail.

## **Council energy projects – working with communities**

### **Cornwall Council**

Cornwall Council operates a community energy revolving loan fund. The fund supports community-owned energy initiatives. To date it has enabled approximately 1MW of community-owned energy generation to be deployed. These projects yield direct benefits to members of local community groups in Cornwall, to local residents where the projects are deployed and to other energy users, such as schools. The scope of the fund could be enhanced through the Council's ability to fund from the voluntary redress system by reducing the overall cost of finance for community groups and by helping groups get to the stage where their projects are investment-ready.

Cornwall has a high proportion of energy consumers that are recognised as being in fuel poverty. Cornwall also has a high proportion homes that have an energy performance certification rating of 'D' or below. Many of these homes are hard to treat.

Access to funding from the voluntary redress system would enable the Council to target these individuals and properties for energy efficiency treatment where they are not picked up by the national energy efficiency programme (ECO).

### **Calderdale Council**

The private rented market has grown quickly in Calderdale. Over the last 10 years it has increased by nearly a third to 18,000 properties. But the quality of the accommodation is not always high, particularly in terms of energy efficiency. There are thousands of old stone terraces in Calderdale and unsurprisingly these homes are plagued with problems regarding energy efficiency.

The council's public health and housing teams in collaboration with West Yorkshire trading standards have launched a jointly-funded project to tackle the problem with the aim of making the private rented sector properties healthier and more affordable to live in. The programme is based around energy performance certificates, which have been compulsory for anyone letting or selling a property since 2008. The expectation is that by 2018 it will also be a requirement for properties that are to be let to achieve an E rating. The council launched a marketing campaign aimed at encouraging landlords to make the most of the energy industry grants to help with heating repairs, boiler replacements and subsidised insulation. Activity initially focused on two wards, supported by joint work with landlord groups to raise awareness. The aim was to encourage change through persuasion, backed up by enforcement where necessary.

## **Partnership working in Durham**

Councils are well placed to lead and co-ordinate energy and fuel poverty work, using their knowledge of communities to target resources. The County Durham Home Energy and Fuel Poverty Partnership brings Durham County Council together with partners including the NHS, County Durham Housing Forum, National Energy Action and Association of North East Councils.

Activity is co-ordinated through a 5 year affordable warmth strategy<sup>2</sup>. This includes the maintenance of housing energy database to help partners reach households on low incomes and in areas with a high incidence of rural fuel poverty.

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<sup>2</sup> <http://www.durham.gov.uk/media/1058/Affordable-warmth-action-plan/pdf/AffordableWarmthActionPlan.pdf>