



Making a positive difference  
for energy consumers

## **Consolidated online survey responses to consultation on 'Allocation of voluntary redress payments in the context of enforcement cases'**

Companies investigated by Ofgem can make penalty payments to charitable organisations under our voluntary redress process. We're looking at how to improve this process, so that consumers get the most out of this money. Our proposals may see a more diverse number of charities receiving funding.

Our consultation was open from 19 June 2016 until 24 August 2016. In order to assist those who wished to contribute and shape our way forward, but who didn't have the resources to submit a detailed response, we offered the option of responding via survey as an easier way to provide views on the questions asked in the consultation. The survey presented summary explanatory information and contained a short set of questions, which were consistent with the questions in the longer consultation document itself.

The responses received from this survey will help us decide on the best process to put in place for the allocation of any future voluntary redress payments.

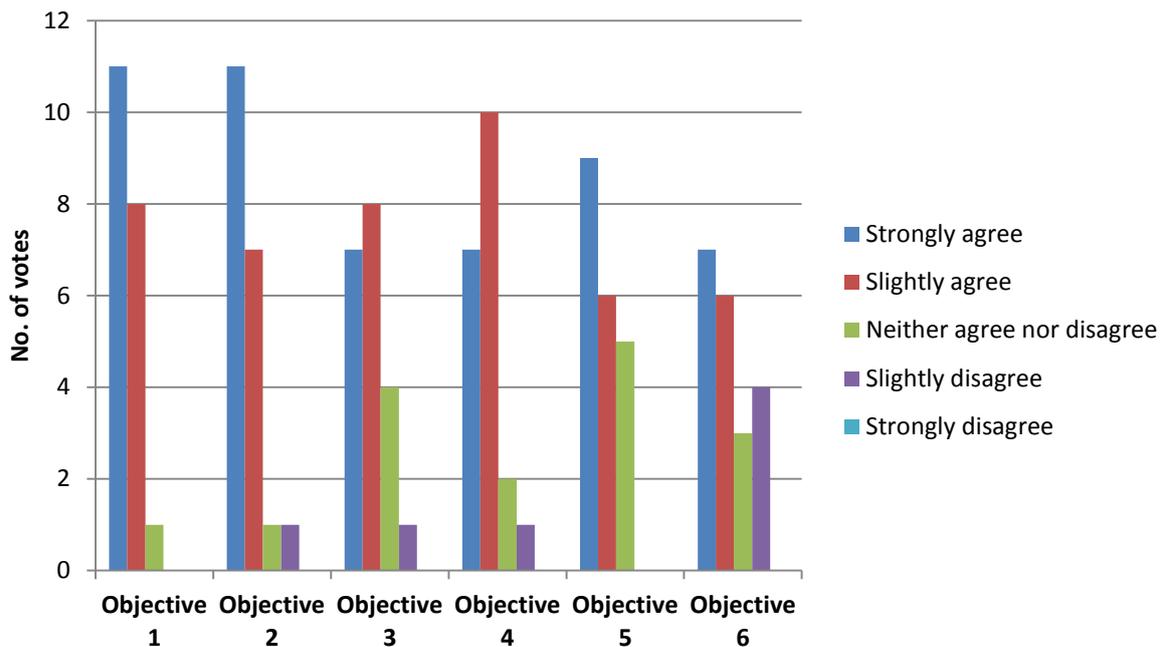
The online survey had a total of 19 respondents including: Age Connects North Wales Central, Good Energy, So Energy, Better Energy Supply Ltd, Axis Telecom Limited, Glide, Robin Hood Energy, iSupply Energy Ltd, and Opal Gas Limited. Ten other respondents requested that their responses remain confidential.

This document summarises responses to the online survey. Where respondents provided additional commentary, these are also replicated below (provided the response wasn't marked confidential).

**Question 1:**

Do you agree with our objectives for the allocation of voluntary redress?

- *Objective 1:* The primary objective of our voluntary redress funding is to maximise long-term benefits for energy consumers by ensuring that funding is well targeted.
- *Objective 2:* Continue to target charities, trusts and organisations that support energy consumers.
- *Objective 3:* Continue to link the charitable recipients / projects to the harm generated by the company as much as possible.
- *Objective 4:* Focus, where possible, on charitable recipients / projects that support consumers in vulnerable circumstances.
- *Objective 5:* Ensure allocation decisions are made by experts who are well placed to identify and assess charitable options and select those that will deliver maximum benefit.
- *Objective 6:* Use open, transparent bidding processes to identify and select funding recipients to ensure that a wide range of potential funding recipients have an opportunity to receive funding and deliver benefits



Graph 1: Responses to Question 1

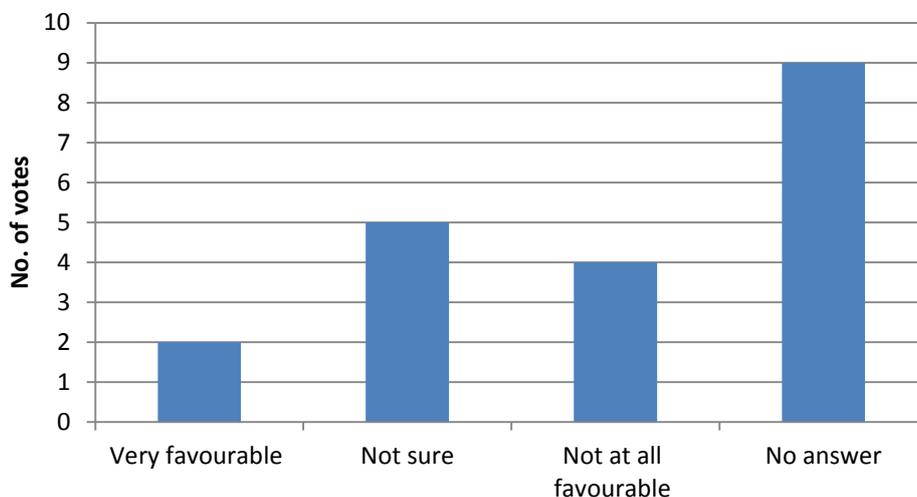
**Question 2:**

We want to use this funding to maximise long-term positive benefits for energy consumers. Please use the space below to provide any additional objectives or criteria that you believe we should consider when making a decision on our forward approach to voluntary redress.

- *Age Connects North Wales Central:* Ensure that the criteria is such that the most vulnerable consumers are targeted in a constructive way.
- *Better Energy Supply Ltd:* Maintaining a semi-permanent list of relevant recipients (and allowing charities etc to ask to be added to the list subject to assessment) would make more sense than a bidding process each time.
- *Robin Hood Energy:* Any proposed approach by Ofgem on the allocation of redress money needs to ensure that there are no benefits to the penalised licensee (e.g. reputational or financial through a loophole). It should be noted that the licensee has been required to make a payment due to non-compliance. Given voluntary redress payments form part of the enforcement process, anything that reduces a licensee's incentives to ensure future compliance should be addressed. Licensees with their own charities or organisations could still apply to receive funding as part of a bidding process. This bidding process could also allocate the payment across multiple organisations, ensuring that this licensee established organisation is not the only beneficiary from the process.

**Question 3:**

How favourable are you of 'Option 1: Current process with enhanced principles'?

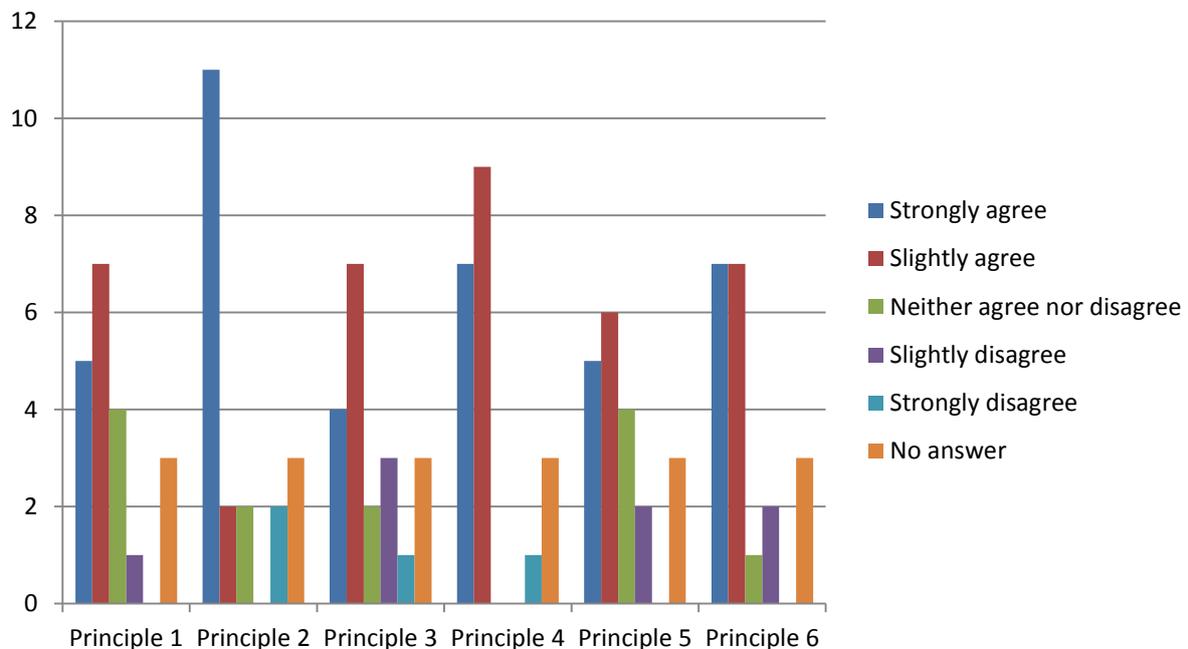


Graph 2: Responses to Question 3

#### Question 4:

What are your views on the possible additional principles outlined in 'Option 1: Current process with enhanced principles'?

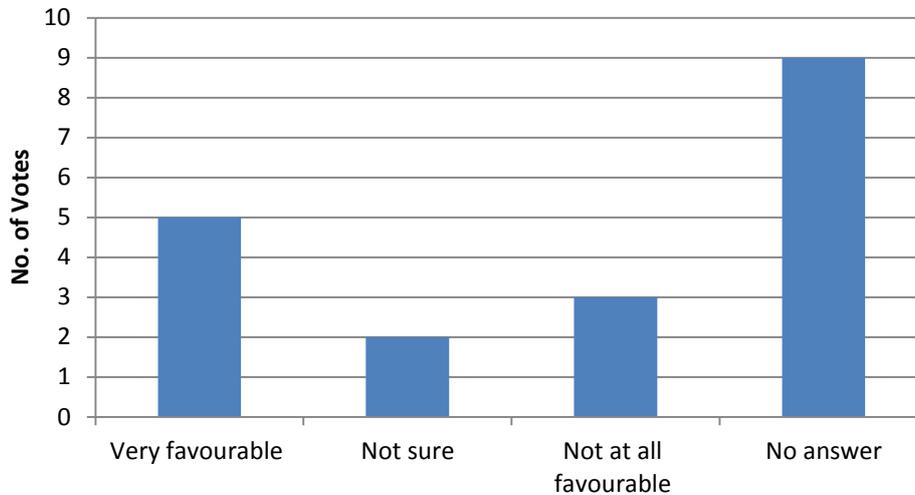
- *Principle 1: The number of charitable recipients should be proportionate to the size of the penalty.*
- *Principle 2: The allocation of voluntary redress payments to charities or trusts that were established by the company under investigation and/or whose name contains a reference to that company should be precluded.*
- *Principle 3: An open bidding process should be used to select recipients.*
- *Principle 4: Money should be used to support vulnerable energy consumers (with a specific focus on supporting their energy-related needs).*
- *Principle 5: Recipient organisations, including indirect recipients, should be told that the money they receive is a result of enforcement action.*
- *Principle 6: Potential recipients must demonstrate they can and will monitor and regularly report on the impact of the funding they receive.*



Graph 3: Responses to Question 4

**Question 5:**

How favourable are you of 'Option 2: Responsibility given to a third party with appropriate expertise'?

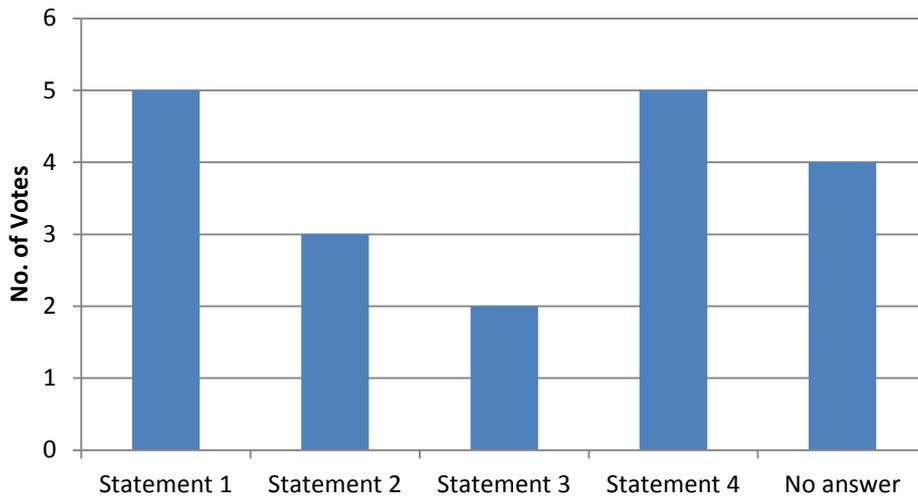


Graph 4: Responses to Question 5

**Question 6:**

Under option 2, which of the following statements best describes how you believe the costs of the third party associated with allocating voluntary redress should be funded?

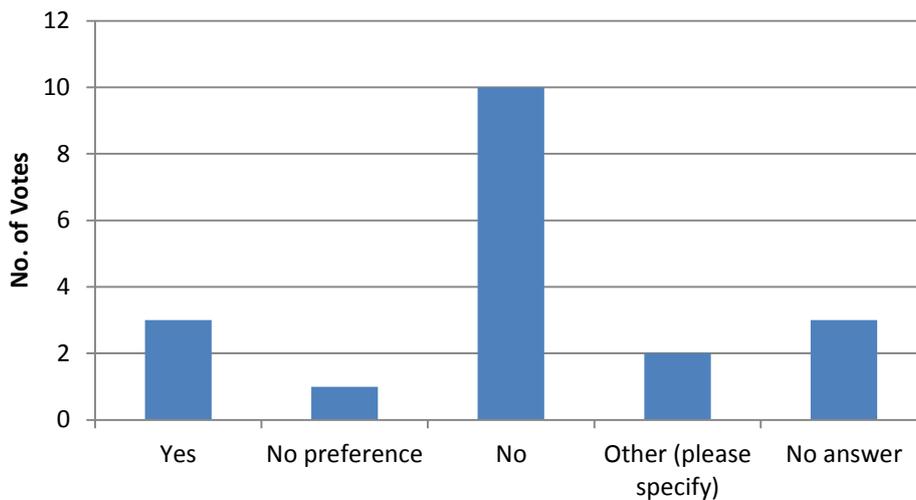
- *Statement 1: The licensee should bear the costs, in addition to the redress payment*
- *Statement 2: Costs should be taken out of the redress money*
- *Statement 3: Ofgem should bear the costs*
- *Statement 4: None of the above, please tell us how you believe costs should be funded:*
  - *Better Energy Supply Ltd: Costs should be taken out of the redress money, which should have been increased in value to reflect this.*
  - *Robin Hood Energy: I think a hybrid of the first two options could be suitable. This could allow for certain proportions of the costs incurred by the licensee to be determined (i.e. as the compliance breach increases in severity, licensees will incur greater proportions of the cost). If cases were able to allocate on a case-by-case basis, this may also allow for flexibility in how the payment is allocated. For example, the independent third party could then choose to either provided staggered payments or a one-off payment to recipients.*



Graph 5: Responses to Question 6

**Question 7:**

Under Option 2, do you believe that the company that made the voluntary redress payment should have an input into the choice of the recipient(s)?



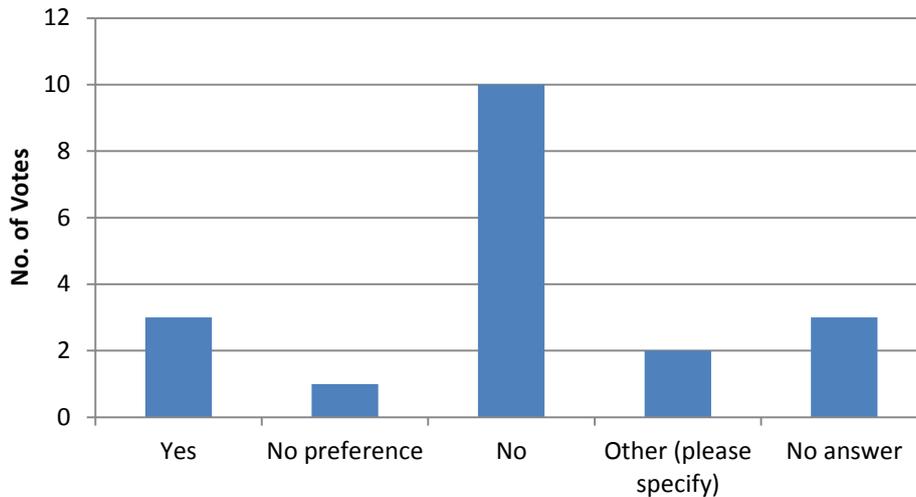
Graph 6: Responses to Question 7

Other (please specify):

- *So Energy*: So Energy believes they should be open to proposing where the payment should. However, they should have absolutely no influencing factor in where the payment should end up though. This should be fully independent.
- *Robin Hood Energy*: Only as part of an independent, transparent and fair allocation process. The relevant licensee should not have any preferential treatment over other organisations or be able to influence the allocation process more than other licensees or organisations.

### Question 8:

How do you believe we can ensure that smaller potential recipients can access the funding and are not disadvantaged compared to larger potential recipients?



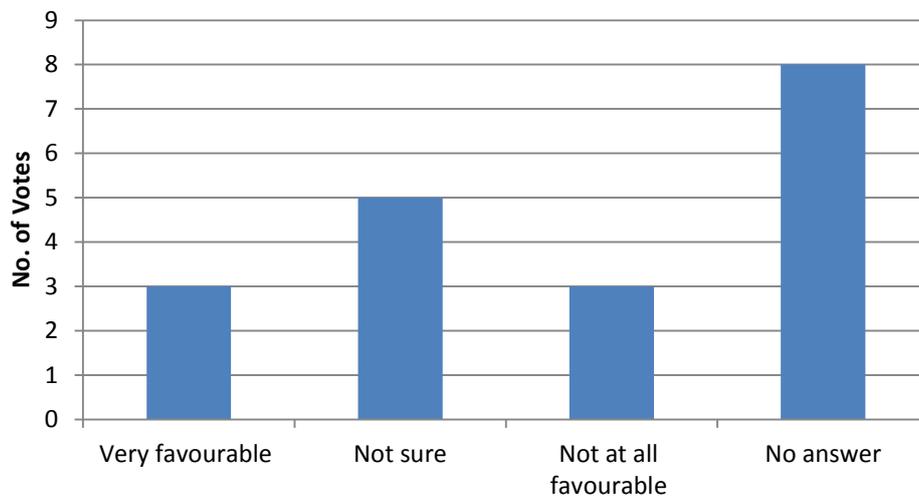
Graph 7: Responses to Question 8

#### Responses:

- *Age Connects North Wales Central*: Ensure that the whole process is transparent. Consider organisations that have a track record in the communities where they work.
- *Good Energy*: If attempting to provide geographic specificity for funds, these may be best supported and delivered by smaller recipient organisations. Therefore, need to consider carefully the administrative costs that would set a minimum level of funding for one recipient.
- *So Energy*: Require the third party that should be running the fund to publish annual management reports, and targets to ensure allocation of payments is fairly made, with a required % for balance between large recipients and small recipients.
- *Better Energy Supply Ltd*: See earlier comments about maintaining a list of eligible parties to which large and small recipients could request to be added (subject to assessment). Excessive targeting of funds to recipients connected with the area of breach would create far more admin overhead and intermittency in funding.
- *Robin Hood Energy*: A potential approach is to allow funding to be allocated according to particular groups. For example, a certain percentage is always allocated to smaller companies and then the rest is provided to established charities and trusts. In the event of no small organisation applying, the independent third party would then allocate the payments at their discretion, but in a transparent manner. There should also be a clear approach to ensure that the allocation process is not unduly onerous, or designed in such a way that larger organisations have the ability to benefit more than other potential recipients. This could be reflected in the reporting requirements, or criteria placed on these recipients by Ofgem. Where possible, these organisations should be actively encouraged by Ofgem to engage. This could reflect attempts made to inform smaller suppliers of market developments through the Independent Suppliers Forum. It would also complement Ofgem's recent statement that they wish to have more open and effective communication with suppliers. This could be extended to wider stakeholders.
- *iSupply Energy Ltd*: Research and thorough marketing would assist.
- *Opal Gas Limited*: Keep the bidding process as simple as possible. Use experts to research for potential small recipients who may not have considered applying.

**Question 9:**

What are your views on this 'Variation on Option 2 – Voluntary redress payments go to a charitable trust set up by Ofgem'?



Graph 8: Responses to Question 9

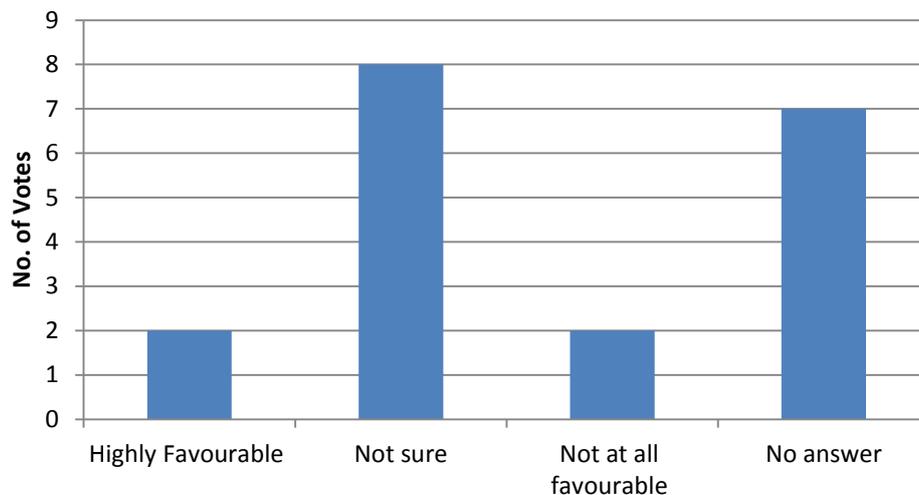
**Question 10:**

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

This question, from the main consultation, was not included in the online survey as it was felt respondents' views on the costs of running a third party (such as a charitable trust) for the allocation of redress funding was addressed in survey question *Question 6*.

**Question 11:**

How favourable are you towards allocating a proportion on voluntary redress to support specific schemes?

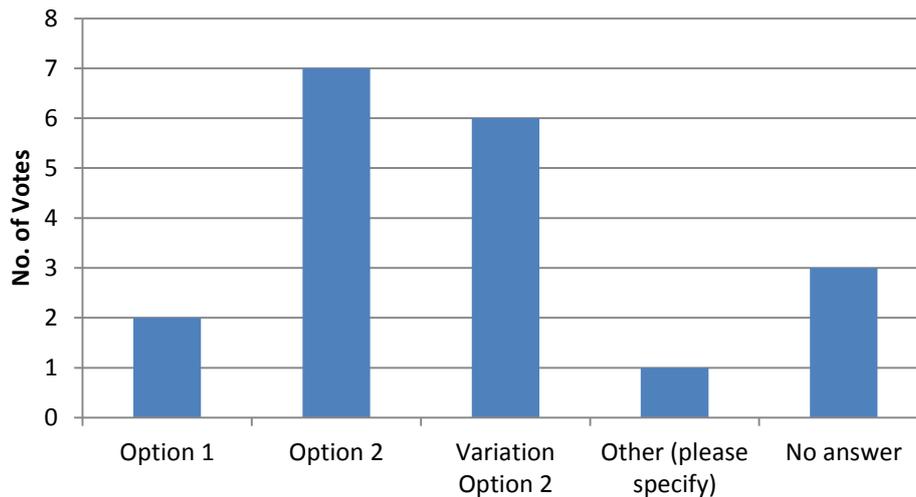


Graph 9: Responses to Question 11

### **Question 12:**

Overall, which is your preferred option for going forward?

- *Option 1 - Current process with enhanced principles*
- *Option 2 - Third party responsible for managing redress allocation*
- *Variation on option 2 - Ofgem to set up a charitable trust*
- *Other (please specify)*
  - *Opal Gas Limited: Option 2, although the charitable trust sounds ok too, as long as those involved have the suitable level of expertise.*



Graph 10: Responses to Question 12

### **Question 13:**

If you have any other thoughts or comments relating to the possible future options, please outline them in the box below.

- *Age Connects North Wales Central: Ensure that all the options are as transparent as possible*
- *Good Energy: Energy schemes administered by third parties - Would need further information on this option to provide more constructive feedback. Would need to ensure these are consistent with the geographic area and relevant topic of the redress payments.*
- *Opal Gas Limited: Regarding selected energy schemes - it depends what they are!*