

Consultation

Consultation to review the Energy Industry Voluntary Redress Scheme

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Ofgem is seeking views from stakeholders to review the Energy Redress Scheme¹ in the context of compliance and enforcement investigations conducted using our Gas and Electricity Act and REMIT² powers. Currently, energy companies investigated by Ofgem can make voluntary redress payments to suitable charities as determined by our service provider, the Energy Saving Trust. Voluntary redress payments are separate from, or in addition to, compensation payments made directly to consumers harmed by the companies' wrongdoing.³ Voluntary redress payments are also in lieu of, or in addition to, a financial penalty.

¹ Energy Redress Scheme (the Redress Scheme) refers to the Energy Industry Voluntary Redress Scheme currently operated by the Energy Saving Trust.

² REMIT is Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency. It has been in force since 28 December 2011. Following the UK's departure from the EU, REMIT is retained under national legislation by effect of the European Union (Withdrawal) Act 2018 and amended by the Electricity and Gas (Market Integrity and Transparency) (Amendment) (EU Exit) Regulations 2019 (SI 2019/534).

³ Wrongdoing may include a breach of a license condition or a range of non-compliance.

We want to ensure that these voluntary payments are delivering the maximum benefit for Great Britain's energy consumers. This consultation outlines options for improving our current process. Your responses will help us decide on the best process to put in place for any future voluntary redress payments.

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Foreword

Context

As part of Ofgem's strategic priorities we are committed to reviewing our approach to the allocation of voluntary redress payments.

Following the consideration of responses to our 2016 consultation and wider stakeholder engagement, Ofgem decided to engage an expert third party organisation to allocate, manage and monitor voluntary redress payments.

The purpose of setting up the Energy Redress Scheme in this way was to ensure that funding is well targeted and maximises the long-term positive impact of voluntary redress payments for energy consumers across Great Britain, and in particular those in vulnerable circumstances.

Associated documents

To help you respond to this consultation, we suggest you read the documents below:

- [The Authority guidance on the allocation of redress funds with Energy Saving Trust](#)
- [Energy Saving Trust's webpage with information on the current redress practice and application process](#)
- [Energy Saving Trust's webpage with projects that have been funded to date since 2018](#)
- [Energy Saving Trust's 2020 evaluation report](#)
- [Our initial 2016 consultation on the allocation of voluntary redress in the context of enforcement cases, and responses](#)

Executive summary

Energy consumers across Great Britain have benefitted from the substantial voluntary redress payments paid to charities. Since appointing the Energy Saving Trust in 2018, c£25 million has been awarded to charitable recipients from the Energy Redress Scheme (the Redress Scheme). We want to maximise the beneficial impacts of these payments for energy consumers, and in particular consumers in vulnerable circumstances, by considering:

1. The types of projects funded

The nature and variety of energy related projects that have been funded to date, particularly the more recent inclusion of decarbonisation and the fuel voucher scheme introduced in response to the COVID-19 pandemic.

2. Widening the eligibility scope to other organisations

Currently only charities (as well as Local Authorities and other organisations who partner with a charity) are eligible to bid for sums from the Redress Scheme. We now want to consider the inclusion of other types of organisations to access the Redress Scheme.

3. The experiences of the charities

Feedback and experiences, both positive and negative, will be of great value and are welcome from all charities that have made a bid for sums from the Redress Scheme. This includes those that have either received funding or whose application was not successful.

4. Other feedback

We welcome any general comments or feedback that stakeholders consider we should take on board to adapt the current process.

Purpose of this consultation

We consider the Redress Scheme to be working well. However, after three years of operation, we would like to gather opinions and feedback on the Redress Scheme from a wide range of energy industry stakeholders. There are ten questions within section 3 of this document (also replicated in Appendix 1).

We want to make an informed, evidence-based decision on the process for the future of the Redress Scheme. We welcome responses from energy companies, consumer groups, third sector organisations, charities with experience of the Redress Scheme, and any other interested parties on the review of the Energy Redress Scheme. We aim to make a decision by mid-2021.

Please send your responses to Sophia McGuigan at redress@ofgem.gov.uk by 8 April 2021.

1. Background

Enforcement, compliance and voluntary redress payments

- 1.1. The purpose of enforcement and compliance action is to stop consumer harm, ensure as many affected consumers as possible are compensated for any harm experienced and to provide a credible deterrent against further poor behaviour in the energy market. Within this, the purpose of voluntary redress payments is to use money from the company found to be non-compliant to counteract the negative effects of its behaviour by supporting energy consumers in Great Britain. This is particularly to support consumers in vulnerable circumstances through projects or schemes run by charities and managed by our service provider, the Energy Saving Trust.⁴

- 1.2. Voluntary redress payments can be made by an energy company in different circumstances. A company under investigation by Ofgem, if it accepts the case against it, can make a voluntary payment to the Redress Scheme as part of a formal settlement agreement. In this scenario Ofgem and the company under investigation agree that a voluntary payment is made to the Redress Scheme, in lieu of or in addition to a financial penalty, and any direct compensation to consumers. Payments can also be made to the Redress Scheme as part of an alternative action agreement with a company.⁵

- 1.3. The current redress process does not enable companies to benefit in any way from making a voluntary redress payment in lieu of financial penalty. Voluntary redress is a result of our enforcement or compliance action, and making such payments is part of the sanction a company faces. The process minimises the chances of companies gaining positive publicity from the voluntary redress payments, which prior to the creation of the Redress Scheme, was a concern.

⁴ This is distinct from direct compensation to affected consumers.

⁵ Further details on our investigation, settlement process and alternative action can be found in our [Enforcement Guidelines](#).

2. Current redress allocation process

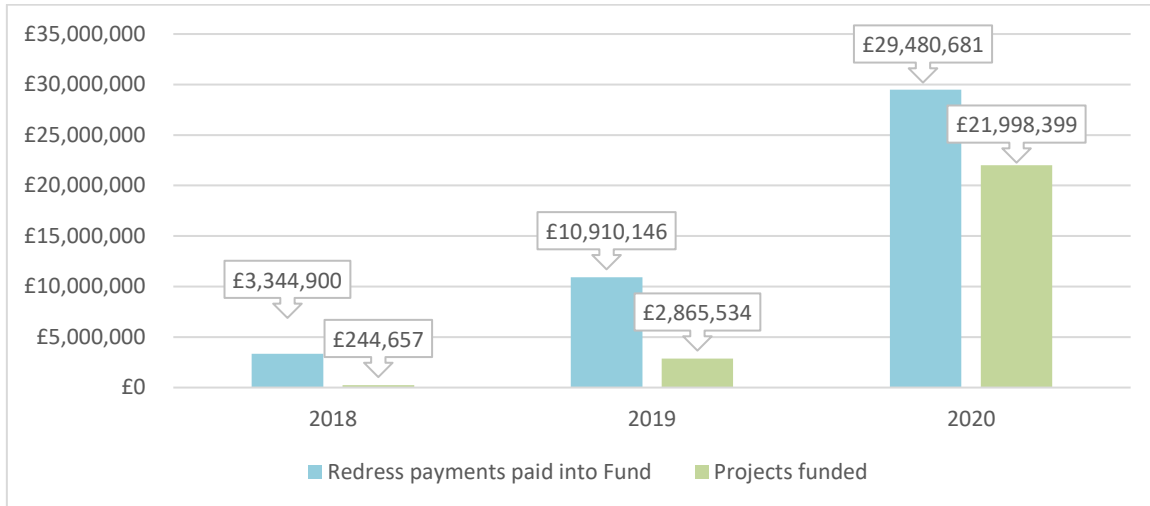
- 2.1. Following the 2016 consultation⁶ to improve the allocation process of voluntary redress payments, Ofgem made the decision to engage an expert third party organisation to manage voluntary redress payments. Since 2018, the Energy Saving Trust has managed the Redress Scheme. This has involved administering, distributing, monitoring and reporting on voluntary redress payments made to charities.
- 2.2. Over 700 charities have registered to apply to the Redress Scheme. The Energy Saving Trust undertakes due diligence on each charity to validate their financial health and charitable status. The charities include organisations that deliver benefits, debt and housing advice, specialist support organisations for people with disabilities or families, charities that support the elderly, energy specialist charities, and environmental organisations.

The current process in practice

- 2.3. At the end of 2020, the Energy Saving Trust had completed eight rounds of funding and had awarded over £19.1 million as grants towards the delivery of 120 projects from charities across England, Scotland and Wales. The majority of these projects have been energy advice based, helping vulnerable consumers to reduce energy consumption and save money. The remainder have been innovative projects that benefit all energy consumers. In addition to this, £6 million (of the dedicated £10 million COVID-19 Crisis Fund) was awarded to charities to distribute fuel vouchers to those in need until the end of 2020. Further details of the type of projects that have been funded to date are in section 3.
- 2.4. This graph shows the voluntary redress payments received from energy companies alongside funds allocated by the Energy Saving Trust for projects across Great Britain from 2018-2020. Please note that 2020 includes the Crisis Fund allocated to charities by the Energy Saving Trust.

⁶ [Ofgem 2016 consultation paper on the Allocation of voluntary redress payments in the context of enforcement cases](#)

Figure 1: Voluntary redress payments



Note: An additional c£6.25m has been allocated to projects that started at the beginning of 2021. This includes the remainder of the £10m COVID-19 Crisis Fund. Applications are currently being assessed for funding round 10 totalling £11m.

- 2.5. For details on the number of consumers who benefitted from the voluntary redress payments, please see the Energy Saving Trust’s most recent impact report.⁷
- 2.6. For more information on how the Energy Saving Trust has managed the Energy Redress Scheme, please also see the Energy Saving Trust’s 2020 evaluation report,⁸ which aims to assess the overall effectiveness for end consumers of redress projects. This report contains the key metrics and deliverables from the work carried out up to August 2020 by funded projects.

⁷ [Energy Saving Trust – Energy Industry Voluntary Redress Scheme – Impact report 2020](#)

⁸ [Energy Saving Trust – Energy Redress Scheme Evaluation – October 2020](#)

3. Areas for consideration

3.1. We welcome your views on the following areas for consideration. We are open to all feedback and opinions on the below items and will take account of the costs and benefits of all proposed amendments to the current practice.

1. The types of projects

As per our Guidance, the current breakdown of the Energy Redress Scheme is split into three separate types of funds as follows⁹:

70% Main Fund - the core priority of the Energy Redress Scheme is to support **energy consumers in vulnerable situations** through various types of projects e.g. energy advice.

15% Innovation Fund - dedicated to supporting the development of innovative products and services related to energy. This supports the development of products and/or services which are genuinely innovative and not currently accessible to energy consumers. This fund can benefit **all types of energy consumers**, not just the vulnerable.

15% Decarbonisation Fund - targeted towards the development of products or services that tackle decarbonisation. Like the Innovation Fund, this fund aims to benefit **all types of energy consumers**.

Main Fund

3.2. The majority of funding that has been distributed to charities under the Main Fund has been energy advice based projects to aid consumers in vulnerable situations. The type of energy advice includes helping consumers afford their energy bills through accessing grants for energy efficiency measures, understanding their heating systems and bills, switching suppliers, and receiving debt and benefits advice.

⁹ Note: Decarbonisation was added to the guidance in Dec 2020 to align with Ofgem's decarbonisation strategy

- 3.3. The types of vulnerable consumers that energy advice projects support include those who may be at risk from cold related illnesses, the elderly, or people living with a disability.
- 3.4. Many of the redress projects include educational elements, such as training on fuel poverty issues for home visiting volunteers, to encourage referrals into the charity. Other measures under the Main Fund include enabling small energy savings, such as low energy lightbulbs or draught-proofing to client's homes.¹⁰

Innovation Fund

- 3.5. As stated above, 15% of the overall Redress Scheme is reserved to finance projects that develop innovative products or services for the benefit of all energy consumers. This includes a wide range of projects, such as new business models to empower energy consumers and make energy markets fairer.
- 3.6. An example of an innovative project is the evaluation of the use of smart technology and advice-based approaches to enable social housing tenants to maximise the use of energy generated by solar panels on their properties.

Decarbonisation Fund

- 3.7. The Decarbonisation Fund (also known as the Carbon Emissions Reduction Fund) was introduced in December 2020 with the aim of benefitting all domestic energy consumers, not only those in vulnerable situations. This Fund awards grants to projects that demonstrate measurable and lasting reductions in the carbon intensity of energy and accelerate the transition to net zero carbon from February 2021 onwards.¹¹

Question 1. Do you consider the funding split between the Main Fund, Innovation Fund and Decarbonisation Fund to be appropriate?

¹⁰ To see the full range of the projects that have been funded under the Energy Saving Trust, please see [their website](#)

¹¹ Note: the energy redress funding cannot be used to fund a supplier's activity under ECO.

Question 2. Do you consider the proportionate funding split between vulnerable consumers and all energy consumers to be appropriate? i.e. 70% to vulnerable consumers and a total of 30% to all energy consumers.

COVID-19 Crisis Fund

3.8. Separately, in May 2020, Ofgem launched the COVID-19 Crisis Fund as an emergency measure to support households in vulnerable situations during the COVID-19 outbreak, to maintain adequate energy supplies for health and wellbeing and to avoid self-disconnection. £10 million was earmarked for charities to apply to deliver emergency fuel vouchers to residents of Great Britain who use prepayment meters and were facing critical situations. This Fund was only open to charities that had registered with the Energy Redress Scheme and had passed the due diligence assessment.

Question 3. Should a fuel voucher fund remain a permanent feature of the overall Energy Redress Scheme, so that it can react quickly to specific crises?

Question 4. If a fuel voucher fund is set up, what type of consumer should be eligible to apply for these vouchers? e.g. vulnerable consumers, pre-payment meter consumers.

2. Widening the eligibility scope to other organisations

3.9. Currently only charities (as well as Local Authorities and other organisations who partner with a charity) are eligible to apply to the Redress Scheme. We now want to consider whether to include other types of organisations to access the Redress Scheme.

3.10. Registered charities were chosen as the original scheme beneficiaries, as they were thought best placed to deliver voluntary initiatives addressing energy challenges in the community. We consider this still to be the case and are mindful that any expansion to the scope may dilute the impacts of the scheme in the registered charity sector. We also note that the Energy Redress Scheme has been very successful at attracting charities.

3.11. However, we also recognise that an expansion of the programme eligibility beyond registered charities will enable a wider target consumer audience to benefit from

funding and will increase the pool of applications to the scheme, providing a wider range of innovative and effective project ideas.

- 3.12. When setting up the Redress Scheme in 2016, Ofgem decided against permitting Local Authorities (acting alone) to apply to the Scheme, taking the view that the funding of local government (including what to fund) is a matter for central government. Over the course of the Redress Scheme, we have received communication from Local Authorities asking for this to be reconsidered. As stated previously, Local Authorities are currently permitted to partner with a charity delivering an energy redress project.
- 3.13. In addition, Ofgem is mindful of community energy groups who, as well as sharing the non-profit status of charities, usually encourage consumer participation and are similarly well placed to financially sustain projects, and thereby enable energy redress projects to engage a wide range of energy consumers. We welcome views on all aspects of the eligibility criteria for the Redress Scheme.

Question 5. What are your views on expanding the applicant scope beyond charities and organisations that partner with charities? If you think the scope should be expanded, do you have any suggestions for how eligibility should be defined? (e.g. what legal structures/status should qualify? Should there be other qualifying criteria?)

3. Experience of charities applying to the Energy Redress Scheme (this section is for charities which have applied to the Redress Scheme only)

- 3.14. Feedback and experiences, both positive and negative, will be of great value and are welcome from all charities that have made a bid into the Redress Scheme. This includes those that have received funding and those whose application was not accepted. We are seeking feedback from charities on their overall experience of Energy Redress, including the application process, and the management of their project from start to finish.

Question 6. How did you find the application process?

Question 7. Did you have a good understanding of the eligibility criteria?

Question 8. Do you have any feedback on what would have made the process better?

4. Other feedback

Under this area for consideration, we welcome general comments or feedback that any stakeholder considers we should take on board to improve the current process. This can include any other areas not mentioned in this consultation.

Question 9. Should we consider any other areas regarding the Energy Redress Scheme? If so, please provide an outline explanation of your suggested area(s). If possible, please outline any associated benefits and costs with your suggestion(s).

Question 10. Do you have any other general comments or feedback you would like to provide?

4. Next steps

Deadline for responses

- 4.1. Please send your responses to Sophia McGuigan at redress@ofgem.gov.uk on or before **8 April 2021**. We welcome contact from stakeholders during the consultation period if you have any queries.

Outcome of consultation

- 4.2. We will analyse the responses we receive and aim to make a decision by mid-2021 and will announce this publicly.

Appendix 1 – Consultation responses and questions

Ofgem would like to hear the views of interested parties in relation to any of the issues and areas for consideration set out in this consultation document. We would especially welcome responses to the specific questions which we have set out.

Unless marked confidential, all responses will be published by placing them in Ofgem’s library and on its website www.ofgem.gov.uk. Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000, or the Environmental Information Regulations 2004. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality.

To the extent information provided in any response contains personal data under the Data Protection Act 1998, the Gas and Electricity Markets Authority will be the data controller. Ofgem intends to use information contained in responses in performance of its statutory functions, including those applicable to voluntary redress payments, and in accordance with section 105 of the Utilities Act 2000.

Areas for consideration

1. The types of projects

Question 1. Do you consider the funding split between the Main Fund, Innovation Fund and Decarbonisation Fund to be appropriate?

Question 2. Do you consider the proportionate funding split between vulnerable consumers and all energy consumers to be appropriate? i.e. 70% to vulnerable consumers and a total of 30% to all energy consumers.

Question 3. Should a fuel voucher fund remain a permanent feature of the overall Energy Redress Scheme, so that it can react quickly to specific crises?

Question 4. If a fuel voucher fund is set up, what type of consumer should be eligible to apply for these vouchers? e.g. vulnerable consumers, pre-payment meter consumers.

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Question 6. How did you find the application process?

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Question 8. Do you have any feedback on what would have made the process better?

4. Other feedback

Question 9. Should we consider any other areas regarding the Energy Redress Scheme? If so, please provide an outline explanation of your suggested area(s). If possible, please outline any associated benefits and costs with your suggestion(s).

Question 10. Do you have any other general comments or feedback you would like to provide?

Appendix 2 – Feedback questionnaire

Ofgem considers consultations to be at the heart of good policy development. Should you wish to provide any feedback, we welcome this, including any comments or complaints about the manner in which this consultation has been conducted. In any case, we would be keen to receive your answers to the following questions:

- 1.** Do you have any comments about the overall process, adopted for this consultation?
- 2.** Do you have any comments about the overall tone and content of this consultation?
- 3.** Was the consultation easy to read and understand?
- 4.** To what extent did the consultation's conclusions provide a balanced view?
- 5.** To what extent did the consultation make reasoned recommendations for improvement?
- 6.** Do you have any further comments?

Please send your comments to:

redress@ofgem.gov.uk