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Andy McFaul
Ofgem
9 Millbank
London, SW1P 3GE

23 June 2014

Dear Andy,

Consultation on our financial penalties and consumer redress policy statement

The Citizens Advice Service is pleased to respond to this consultation. Our response is not confidential and may be published on your website.

1. Are these objectives appropriate?

Yes, we agree with the proposed objectives.

We also agree with the views of companies expressed in the roundtable that Ofgem should consider whether it could publish further guidance that highlights what it felt were the most serious types of breaches eg a Category One breach is where there was deliberate attempt to ignore the rules and caused significant consumer detriment, Category Five is where there was an accidental breach by the licensee and there was limited to no consumer detriment, etc.

We are hopeful that licensees will continue to self report breaches to Ofgem.

2. Is the process for determining the amount of penalties and/or redress appropriate?

The process is appropriate. We agree with the principle that suppliers should be liable for the additional administration costs associated with returning the money to individual consumers. We also agree that there should be a reasonableness test, as we recognise that it is not always practical to return money to individual consumers. If the cost of returning money to individual consumers is too high, in comparison to the detriment suffered, then we are comfortable with an appropriate proxy being used.

It is our hope that the majority of enforcement cases will continue be agreed via the settlement process, without the need to use the redress orders.

Patron HRH The Princess Royal

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3. Do you agree with the proposed factors that may aggravate or mitigate the amount of a penalty or redress payment?

We support the proposed factors. We believe Ofgem should add an additional factor where a licensee fails to engage with the Citizens Advice Service, when it is carrying out its formal role as the statutory consumer body for energy consumers. The lack of engagement would not be a 'factor' in the circumstances where a licensee self-reports to Ofgem in lieu of engagement with the Citizens Advice Service.

4. Do you agree with the proposed settlement discounts in cases under the Gas Act or Electricity Act?

Yes they seem reasonable.

We note that some licensees expressed a view at Ofgem's event that the changes to the process may make them less willing to proceed with the settlement process. It would be a concern if it meant that enforcement cases took longer to settle. As Ofgem has worked its way through the backlog, it is our hope that, going forwards, enforcement cases will be settled more quickly.

5. Do you agree with the proposed policy on determining who receives payments where the consumer redress powers are used?

Yes.

6. Are there any other consumer redress requirements that we should specifically refer to in section 7 of the policy statement?

We think the list is comprehensive.

7. Do you agree with the proposed approach to the treatment of detriment?

Yes.

8. Should administrative costs be borne by the company in addition to any compensation or other payments that may be required?

Yes we are supportive of this principle.

Best regards

Gillian Cooper
Head of Retail Energy Markets

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