



Campaigning for Warm Homes

Gas Distribution Price Control Review

National Energy Action (NEA) is a charity working to ensure that low-income households have access to sufficient warmth for health and comfort at an affordable cost. NEA develops and promotes energy efficiency policy and practical initiatives to tackle the heating and insulation problems of low-income families and individuals

NEA welcomes the opportunity to comment specifically on the section of this document that deals with network extensions to non-gas communities since, notwithstanding recent price increases, the provision of gas-fired central heating can make a major contribution to the elimination of fuel poverty. We welcome in particular the recognition by Ofgem that regulatory intervention is appropriate to prompt further action by the gas supply industry in connecting communities where fuel poverty is prevalent.

However we are conscious that the proposed incentive scheme relies on the willingness of gas distribution network operators to engage with it, acknowledged in this document in the statement that 'rewards may be awarded annually to one or more GDNs or not at all.' We do not have the expertise to comment in detail on the economic assessment of costs, risks and benefits and hence we can but trust that Ofgem is confident that GDNs will come forward with suitable schemes. In addition we have some concerns about the extent to which any assistance available to low-income consumers may replicate the controversial 'postcode lottery' which characterises other elements of public service. We trust that Ofgem will have arrangements in place which will, over time, ensure that disadvantaged communities are not disenfranchised because they are served by a GDN which chooses not to participate in the scheme or, where it does, lacks the commitment and expertise to put forward proposals with a realistic chance of success.

We note that the costs of the scheme will be met by consumers of those GDNs that receive an award. As noted in previous consultation responses NEA's preference is for costs to be met in the most equitable way. Accordingly we believe they should be recovered from all gas consumers, rather than only those served by one or more particular GDNs.

We agree with the proposal to set eligibility criteria in an effort to ensure that assistance is targeted at those communities where the incidence of fuel poverty is likely to be greatest. We suggest that consideration be given to the fuel poverty indicator developed by the Centre for Sustainable Energy and the University of Bristol. Our understanding is that using its combination of census data, property information and the English House Condition Survey may allow more precise targeting than the Index of Multiple Deprivation because it allows more accurate small area analysis.

The impact assessment assumes that the £20 million fund will be divided equally between the three subject areas considered and that the £6.5 million allocated to network extension will therefore facilitate a little under 10,000 new gas

connections over the five year period beginning in 2008. Yet chapter 7 of the consultation seems more ambiguous about the sums to be allocated, noting both the concerns raised by respondents about the value of network extensions (para 7.21) and inviting views on fixing the proportions in advance (7.24). Whilst NEA appreciates the importance of reducing gas shrinkage and enhancing safety messages about carbon monoxide poisoning we would be very concerned if network extension were to be the junior partner in the incentive scheme. It is already evident that the incentive scheme will make, at best, a modest contribution towards alleviating fuel poverty, given estimates of 200,000 households affected in 2,000 communities. In our view some priority should be given to promoting network extension and we would favour a minimum specified allocation to provide at least some reassurance that GDNs are being encouraged to develop project proposals in this area.

Finally we endorse Ofgem's proposal to establish a multi-disciplinary panel to assess applications under the incentive scheme. We think it is very important that consumers are adequately represented on this panel and we assume that the panel will be involved in drawing up some criteria to inform prospective applicants about the essential features of any funding bid. For example, since it will in all likelihood be impracticable for the panel to embrace regional representation we would expect applications to provide evidence of consultation at local level (*e.g.* with local authorities, parish councils and community groups) in areas where projects are proposed.

NR July 07