

Network extension and initiatives for fuel poor customers

Approximately three million UK homes will be at risk of fuel poverty by 2010 with those homes not on the gas grid at particular risk.

New connection work, however, is expensive and largely has to be fully-funded by the customer; making system extensions work affordable is exceptionally challenging.

With a dedicated team working to promote fuel poor connections through liaising with local authorities as well as regional and national groups, we have developed innovative schemes that have, over the last twelve months, supported 6,000 individual connections within our network and a further 1,656 homes connected in communities with no gas.

Our initiatives include:

- Fuel Switching (individual connections);
- Fuel Switching (projects);
- SMART metering;
- SGN System Extension Fund; and
- Partnership working.

Fuel Switching

When you switch your primary heating fuel to gas, this results in energy savings. We have been innovative in creating and promoting a CERT-based scheme using fuel switching grants to provide not only a connection incentive for individual private-sector customers but also to build a system extension fund specifically for use in supporting connections to fuel poor communities.

Working in partnership with Scottish and Southern Energy plc (SSE) and eaga plc, we have developed and Ofgem have approved a scheme which, in addition to the benefits above, also encourages connections acceptances while making a contribution to energy efficiency and carbon savings.

This scheme is planned to last until 2011 and generate several millions of pounds by way of customer rebates and system extension contributions.

“SGN was the first network to take the initiative to assist its customers by offering them a rebate following their gas connection and installation of a central heating system... SGN have helped over 6,000 of its customers to obtain over £800,000 of support for the installation of gas central heating. The scheme itself has also contributed to total lifetime carbon savings of 334,252(TCO₂).”
eaga plc

“The partnership approach between the three organisations has been key in delivering benefits to us all and, most importantly, a strong service to clients.” **Scottish and Southern Energy plc (SSE)**

Current scheme position

- 6,000 customers connected under the scheme;
- 1,000 who are in the CERT priority group;
- Rebates in excess of £800,000 returned to customers; plus
- £700,000 set aside to support system extension work.

Performance monitoring has prompted changes to the eligibility and claim period and feedback from partners, customers and staff form part of regular reviews. As a result, we have increased the level of rebate which is now targeted to ensure that the most deserving customers can have a ‘standard’ gas connection free of charge. Following changes to our connections charging methodology we have developed the scheme to ensure that customers who now qualify for a free or reduced charge Fuel Poor Connection can continue to benefit from the Fuel Switching Grant and use it to off-set their heating installation costs rather than their gas connection.

First Specific Fuel Poor Investments Underway

Partnership projects in Aberdeenshire and Perth and Kinross, with around £300,000 of support from our system extension fund, have been approved to connect 600 fuel poor homes to the gas network. Working with SSE as a supplier partner, the local authority and with the local Energy Saving Scotland Advice Centre (ESSAC), we will maximise the installation of energy efficiency measures under existing supplier and Government schemes and use thermal imaging to identify those homes requiring remedial insulation work to improve their energy efficiency. Potential customers will also be able to access benefit checks to ensure benefit entitlements are maximised.

“...the team are now developing proposals to extend the mains network to part of Aberdeenshire in the lowest 15% of the index of multiple deprivation, this work would not have been possible without effective and efficient partnership working from SGN.” Aberdeenshire Council

System Extensions

The Fuel Switching scheme has been developed and extended on an individual project basis to generate funds to support and improve affordability. We have led progress in this area to allow our project partners (predominantly registered social landlords) to gain advantage from the additional funds available from suppliers and have targeted local authority areas where there are less than the average number of homes connected to the gas grid.

2008/09 10 projects; 1656 homes into gas supply area; approx 1,000 fuel poor

In tackling these projects we have utilised project economies of scale to reduce connection costs. We have also engaged the local Energy Advice Networks to provide and support ‘Roadshows’ to promote community connections in the private sector ensuring the delivery of associated efficiency measures including home insulation and benefit checks.

Extension Projects	Quoted	Accepted	Number of homes
Scotland network	40	10	298
Southern network	91	22	479
Specifically Fuel Poor	15	10	1,656

Beyond those projects specifically supporting fuel poor connections many other projects across both networks have been progressed but only around 25% are accepted and constructed. While many are simply speculative, customer feedback indicates that affordability remains a key issue when making investment decisions. Our focused approach to system extensions in the social sector and our ability to bring additional funding to projects, whether through fuel switching or from our own internal extension fund, has been particularly successful in making gas available to more homes.

Metering Opportunities

SMART meters offer an opportunity to make a significant impact on managing home energy use and provide much needed support in areas of fuel poverty. As this market develops, we have been working closely with suppliers and meter manufacturers in actively supporting metering trials and have in conjunction with ScottishPower and SSE installed 3,500 SMART meters as part of Ofgem’s Energy Demand Research Project (EDRP). Additionally, working with Utilita, we have installed in excess of 10,000 dual fuel SMART meters that are specifically targeted at consumers in the pre-payment sector, where there is considerable crossover with the fuel poor community.

Working in Partnership

In our Southern Network, eaga is working with us on opportunities to carry out system extensions work. The fuel poor arrangements recently agreed with Ofgem will enable us to provide an additional incentive and we have engaged the Energy Saving Trust to ensure that the benefits of our initiatives are fully realised; both with individual customers and in tandem with social housing providers and private landlords.

Social landlords are key to delivering fuel poor connections and we are working closely with those who operate in areas with the lowest access to mains gas. We are also working with the eaga and Scottish Gas as the UK and Scottish Governments’ managing agents for the delivery of their respective heat replacement schemes, as well as with the Energy Saving Trust on the delivery of energy efficiency initiatives.

We have constructed a system extension for Highland Region and ES Pipelines that supplies 83 existing homes, demonstrating our flexible approach to working with independent Gas Transporters. We have also entered into discussions with ES Pipelines to review its system extension portfolio and to consider how to regenerate qualifying fuel poor areas with lower than expected take up of the gas offering. Taking the contribution from all of these work streams, we have already completed thousands of fuel poor connections and will deliver in excess of 10,000 further fuel poor connections over the next four years.

Extract of letter from Jean S Morrison MBE, Chief Executive Officer of SCARF – the main energy advice charity in the North East of Scotland:

“Throughout our long-standing working relationship, Scotland Gas Networks has demonstrated it has genuine social responsibility and its professional approach to implementing projects has brought lasting benefits to a number of communities.”