



**FAO:** Rachel Fletcher, Partner, Distribution

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Dear, Ms Fletcher

### **Consultation on the next gas distribution price control - RIIO-GD1**

I am writing to you in my role as Chairman of **Affordable Warmth Solutions CIC** who, through innovative funding arrangements, are facilitating the investment of millions of pounds in programmes to support the installation of new gas connections, gas heating systems and other energy efficiency measures, to some of the most deprived non-gas areas in the UK.

As a company we welcome the opportunity to respond to Ofgem's recent consultation on the next Gas Distribution Price Control (RIIO-GD1) and, in particular, note your proposals that may help provide certain vulnerable customers, off the gas grid, with the opportunity to switch fuels.

**Affordable Warmth Solutions** approach is based on a 'whole community, whole house' package of affordable warmth measures. We will also provide additional 'in house' support through our Energy Supply partner where qualifying households may also be eligible for free loft and/or cavity wall insulation and tailored energy saving and tariff advice. We are currently working with a number of partners and have been approved by Ofgem as an 'In House' partner for several organisations the largest being National Grid.

- On behalf of National Grid we have already invested around £1.6 million in community projects, involving the construction of some 8km of new gas mains and some 1200 new gas services bringing some £1.7 million lifetime energy savings to community connection customers alone;
- Through the National Grid partnership we facilitated the connection of over 6600 vulnerable homes to National Grid's gas distribution network that will reduce the lifetime environmental impact from old inefficient heating systems by some 500,000 tonnes carbon dioxide.
- We have maintained our focus on safety and our employee and contractor injury frequency rate remains at zero lost time injuries; and
- Our Customer Surveys show us that currently over 78% of householders responding rated the service they have received from us as 'exceptional'.

Affordable Warmth Solutions agree that the current Ofgem scheme is largely an effective way of helping to remove some of the causes of fuel poverty, and we believe companies such as ourselves play an important and integral role in ensuring appropriate gas heating systems and other energy efficient services are delivered as a result of upstream investment by GDN's.

We believe through our partnership with National Grid we have developed an industry leading fuel poor delivery model, that has enabled a significant number of off gas community schemes to be connected through mains extension and subsequent service connection. Our scheme encourages the participation of Utility Infrastructure Providers, thus additionally stimulating the market for third party connections.

During the last year we have been exploring whether we can connect heat networks and Combined Heat and Power plants to the gas grid through the fuel poor scheme and we believe that appropriate incentives to support these initiatives should be a consideration as part of the RIIO-GD1 outputs.

To help remove homes from fuel poverty we believe it is vitally important that fuel poor schemes are aligned with other Government initiatives in this area. With this in mind, it will be important to consider for the RIIO-GD1 review period how the Green Deal and Energy Company Obligation (ECO) proposals could be used to support the fuel poor to connect to gas. For example if Green Deal measures was to include gas connections, this might deliver a route for the GDNs to support delivery of a whole house efficiency arrangement by facilitating connection to gas to add to in house measures on heating and insulation.

With regard to incentives for GDN's to invest in future schemes, we believe these should encourage network companies, and their in-house partners, to deliver them efficiently and allow for innovation. Affordable Warmth Solutions believes that there are a number of technologies where fuel poor customers could benefit from lower fuel prices, which may not be directly connected to the gas supply network. For example, over this current period we have had requests to connect new gas fired district heat schemes to the gas distribution network. However we understand that the current mechanism does not allow these 'heat networks' to be funded even though they are considered to be the most efficient and appropriate solution to 'customer requirements'. We would encourage Ofgem to support network companies who could develop a proposal to include such schemes into their charging methodologies, which would enable these fuel poor and vulnerable customers to benefit from the availability of gas.

On a more detailed point we have identified a number of potential schemes in England where we believe homes would benefit from a network extension however because they fall outside the Index of Multiple Deprivation top 20% (IMD score 34.42) criteria they fail to qualify for support from a GDN. We accept that additional criteria could apply, however collecting this data is a time consuming and costly exercise that consequently increases the duration and cost of a project. Affordable Warmth Solutions would suggest that the eligibility criterion (IMD) for schemes is reviewed to include a home or community with an IMD score of 25 or greater. You may recall that this was the criteria adopted for the original pilot programme delivered by the DTI Design and Demonstration Unit.

In addition, we would like Ofgem to consider whether a GDN's 'economic test' should be broadened to take into account the wider environmental benefits, such as reduction in '**carbon emissions**' or accrued '**lifetime energy savings**' - both we believe are accepted criteria for other industry schemes e.g. CERT.

Furthermore we would encourage Ofgem and GDN's to review the 'rules' that influence investment decisions. In order to best utilise existing assets (that will benefit all customers) and perhaps more importantly to provide new gas connections and affordable energy to fuel poor homes, we believe the objective should be to connect as many homes as practicable in the shortest timeframe possible. To facilitate this approach we would encourage Ofgem to consider a 'fuel poor' subsidy (similar to CERT) that allows for ALL customers to be charged an 'agreed' rate that is helped to fund connections to those homes that are off the gas network and therefore 'expensive to heat and treat'.

I trust you find my observations are constructive and I look forward to working with you in developing further these proposals and fuel poor schemes that help provide solutions to the suffering experienced to thousands of vulnerable homes in the UK. Should you require further detail on this response in the first instance please contact **Jeremy Nesbitt, Managing Director, Affordable Warmth Solutions CIC** who can be reached on 0121 6232154 or email: [jeremy.nesbitt@ngrid-aws.org.uk](mailto:jeremy.nesbitt@ngrid-aws.org.uk) .

Yours sincerely



**Rt. Hon. Malcolm Wicks, MP**  
Chairman  
Affordable Warmth Solutions CIC