

National Energy Action

Distribution network operators and domestic energy efficiency



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Action for Warm Homes

The basics

- NEA is a national charity which aims to eradicate fuel poverty
- NEA seeks to promote this objective through a wide range of activities including **policy analysis, rational and constructive dialogue with decision-makers, practical initiatives and training and educational initiatives**
- From our practical experience and evidence working on this area for over 30 years we believe fuel poverty is damaging the health of millions of households across the UK.
- NEA also knows that radically improving the fabric and heating of our homes represents the most cost-effective long-term solution for tackling high energy bills and helping to eradicate fuel poverty.
- In order to deliver our vision, NEA has developed partnership arrangements and delivery projects with both Gas Network Operators (GNOs) and more recently Distribution Network Operators (DNOs).

NEA's supporters within DNO's & GDN's



Bringing energy to your door

Currently delivering help now

DN	Projects
WPD	Networking for warmth energy Champion project 2012-2014
ENW	Pilot load reduction project in Stockport Energy Reduction project Stockport Schools resources
NPG	Stakeholder engagement , training, events 2014-15 Vulnerability training we are exploring delivering to all of their staff
UKPN	Low carbon Network fund Jan 2014-Dec 2017 Profiling within their London Network for Islington, Tower hamlets and Hackney Young carers project Schools project
NGN	Joint sponsorship of all party Fuel poverty/energy efficiency dinner Vulnerability training
W and W	Joint sponsorship of all party Fuel poverty/energy efficiency dinner
S GN	Sponsorship of fuel poverty forum London and SE Park Home project Joint sponsorship of all party Fuel poverty/energy efficiency dinner
AWS	Malcolm Wicks Memorial Hydrogen Fuel Cell trails ASHP Trials Community projects Joint sponsorship of all party Fuel poverty/energy efficiency dinner
SPEN	Supporting their Business planning and schools resources
SSE	Supporting their LCNF project delivering vulnerability training

Helping us to do our bit last year...

- **26,612 householders assisted** with insulation, heating, advice and other energy saving measures either directly by NEA or via energy champion and community engagement work
- **10,000 stakeholders** have improved knowledge of action they can take to help their clients, customers or peers who are living in fuel poverty
- **2852 front- line advisors and others dealing with vulnerable clients trained by NEA**, providing advice and increasing access to service and support to marginalised communities and vulnerable households
- **634 candidates gained the Level 3 Award in Energy Awareness 6281-01** throughout England, Scotland, Wales and Northern Ireland
- **Warm Zone assessed 5,477 households** and installed energy saving measures in 3,890 of those. In addition the company's income maximisation service assisted more than **700 households to claim a total of more than £3.5m** welfare benefits.

Current levels of fuel poverty in England (LIHC) by EPC band

SAP 09 band	Proportion of households within group (%)		Number of households (ooo's)		Aggregate fuel poverty gap (£m)	Average fuel poverty gap (£)
	Not fuel poor	Fuel poor	Not fuel poor	Fuel poor		
A, B, C	98	2	3,895	95	53	552
D	93	7	10,495	817	187	228
E	80	20	4,326	1,050	431	410
F	77	23	787	240	205	855
G	65	35	150	81	137	1,702
All households	90	10	19,653	2,283	1,012	443

New fuel poverty target for England

- The Government has finally released [draft regulations](#) detailing a new fuel poverty objective for England.
- The new target, which replaces the previous duty to eradicate fuel poverty in England by 2016, requires that as many fuel poor homes as is reasonably practicable achieve a **minimum energy efficiency standard of Band C, by 2030**.
- The Government is proposing this statutory target will be supported by two interim milestones: to lift the worst-rated fuel poor homes to **Band E by 2020** and **Band D by 2025**.
- Band D is currently the average energy efficiency rating of the English housing stock, accounting for circa 70% of dwellings.
- Whilst NEA welcomes the focus on minimum energy efficiency standards we are concerned that the timescales for the introduction of the new targets are much too slow.
- The Government is currently consulting on the new fuel poverty strategy which outlines how they intend to achieve the 2030 target.
- The consultation document is available [here](#). Responses to this consultation must be submitted no later than **Tuesday 7 October 2014**.
- **DNOs and GNOs can play a critical role in helping to achieve these ambitions**

How can we help....?

- Deliver new social outputs
- Act on critical opportunity to not only **directly reduce network costs** but also stimulate a new form of **domestic electricity permanent demand reduction model by funding alternate heating technologies or in-home energy efficiency measures**
- DNOs and GNOs are well placed to join up delivery and can leverage additional funds based on other parties' existing social and environmental obligations
- New assisted connection regime could extend provision for those households that fail the current economic test for a gas connection or who lack the funds for internal work

Delivering on social outputs

- **Publicise the benefits that are offered through the PSR** and ensure it captures all of those that should be included by continuing to **engage with a wide range of stakeholders** to continue to refine and update the information a range of parties collectively hold on consumers in vulnerable situations
- Include **detailed plans on the delivery of additional assistance** to customers that are on their Priority Service Register (PSR), not just within outages but also on a range of social activities.
- When referring vulnerable customers to assistance provided by other parties, clearly state how to **assist in the referral** (i.e. by making sure these sources of help are directly relevant to the circumstances of that household
- For example: the support being recommended is able to accept new applications at the time the referral is made and the recommended programmes are specific to the geographical location of that household (e.g. ECO in England, HEEPS and Nest schemes in Scotland and Wales and any services identified at a local authority level).

Permanent domestic demand reductions

- Identify ahead of time load related **'reinforcement hotspots'** across the DNOs geographic territory
- Obtain a **forecast of the business as usual reinforcement costs**
- Establish a routine to undertake an alternative cost-benefit analysis indicating which **'other actions'** could be taken to either defer or mitigate the reinforcement need in an area entirely (through permanent electricity demand reductions, not demand shifting). This will require **working with supportive agents to simultaneously assess the scale of electricity demand reduction potential within that area** of the network and aggregate this potential
- **Identify complementary domestic energy efficiency activity** that is also currently being planned within this area and **match the initial alternative investments to this existing or planned activity** within that area and approach the delivery partners (this latter element is critical because the most valuable role DNOs can play is simply to provide capital to an existing or planned project, rather than starting a new one)
- Grade the potential aggregation of electrical demand reductions by **prioritising low income and electrically heated domestic customers** on the basis that there are positive social impacts and wider benefits (reduction in local health costs etc)
- Provide capital or develop projects which meet a **'Golden Rule'**
- Produce annual reports on the aforementioned activity.

Joining up delivery and leveraging additional funds

- Alternatives to reinforcement could be in the form of replacing inefficient electrically heated systems in tower blocks through a contribution towards a modern efficient district heating network, upgrade electrical heating systems, help fund extensive solid wall insulation and make or provide capital towards lighting improvements etc.
- As noted above, whilst the contribution towards these measures could be made independently, this approach should also **aim to link up to other pre-existing projects** (funded under Green Deal, ECO, alternative Devolved Administration schemes or help make a contribution towards new gas connections in blocks of less than three storeys in height). In the case of the former, **obligated energy suppliers would be encouraged to take the lead to deliver in-house measures.**

The 'Golden rule'

- The value of the proposal for all energy consumers should be safeguarded by a variation of the current Green Deal '**Golden Rule**' (**the contribution by the DNO to the cost of these alternative projects would always have to be lower than the cost of the network reinforcement**).
- The emphasis would then encourage DNOs to work with different parties to take a longer-term view of reinforcements to their network, leverage additional funds based on obligated suppliers existing social and environmental obligations (namely, the Energy Company Obligation) and **make sure the investment is cost effective** (benefiting all energy consumers) whilst also ensuring that there is a direct social outcome.
- NEA are working to ensure all DNOs are aware of this opportunity, act on it and embed these principles alongside a direct social outcome from day one of ED1 (which coincides with the implementation date of the requirements of the EE Directive).

New connection regime review

- For fuel-poor households whose premises are not situated sufficiently close to a relevant main, costs are often quoted on a bespoke basis and exceed the maximum value of the Fuel Poor Voucher and, as such, the remaining cost is payable by the connectee.
- For obvious reasons, the burden of these additional connection costs is prohibitive to low-income households and frequently the connection will not proceed.
- Allow GNs (or respective GDN partners) to apply the full NPV of future transportation revenues to the successful connections of fuel-poor households but hypothecate any surplus on the true costs of this connection to provide assistance to other households who would exceed the maximum value of the Fuel Poor Voucher (*i.e* transfer any surplus to support fuel-poor households where premises are not situated in close proximity to a relevant main).
- Provided this surplus can be realised, aggregated and potentially capitalised, the types of assistance which might be provided (by a range of parties) could include providing low cost energy efficiency measures.

Funding in house works

- In addition, a lack of in-house funding reduces the likelihood that sufficient numbers of fuel-poor households will have the means to facilitate an effective connection.
- Given these challenges GNs should use the upcoming review (and the FP strategy) to quantify the overall scale of extensions of the gas network to fuel poor or vulnerable households that meet the economic test but are potentially failing to go ahead as there is insufficient funding available for the low income householder to fund 'in-house' works.
- We are also prompting Ofgem to consider how successful gas connections must be accompanied by decent levels of insulation.

Questions and areas to discuss

- Points of clarification
- Will these opportunities be captured under BAU? (innovation funds, generic efficiency incentive and increased Stakeholder Engagement incentive)
- To what extent are DNOs already stimulating this domestic electricity permanent demand reduction model?
- Are these projects looking to join up with GNs or obligated suppliers?
- What is the most suitable regulatory framework to pull this opportunity through
- Any opportunities within the CM?