

Annex 3:

Response Template

Thank you for taking the time to respond to our questions.

We hope all the questions are clear, but if you have any difficulties please email rupika.madhura@ofgem.gov.uk.

Once you have completed the questionnaire please send it back to us to the email address above. You need to return the completed response template to us by **31 October 2014**.

Part 1 - About you

Question	Your response
<i>What is your name?</i>	
<i>What is your position?</i>	
<i>What are your contact details?</i>	

Part 2 - About your business

Question	Your response
<i>What is your company's name?</i>	Association for the Conservation of Energy
<i>What is the nature of your company's business? Please state if this involves Fuel Poor Network Extensions Scheme, or Fuel Poverty related work.</i>	Research and policy work on energy efficiency, including on fuel poverty
<i>What areas of the country does your business operate in?</i>	UK

Part 3 – FPNES review questions

Q1 Do you think the Scheme effectively interacts with the UK heating Strategic Framework and Scotland's Heat Generation Policy Statement? How might it be improved to better align with wider activity? Please evidence your answer.

We believe that subsidised gas grid connections are an important means of addressing fuel poverty, and that the Scheme is an effective mechanism to achieve this.

To address both fuel poverty and other policy goals (decarbonisation and security of energy supply), a key solution is energy efficiency. While the current Scheme is effective in addressing fuel poverty, its fit with wider policy goals could be improved through greater attention to energy efficiency.

We suggest that this could be achieved by allowing use of some Scheme funding for the installation of energy efficiency measures such as loft and wall insulation in the homes of the Scheme's customers.

While energy efficiency measures should be prioritised, it may also be beneficial to use Scheme funding for installation of renewable heating systems in some cases. This has the added benefit of providing opportunities for increased household income through the Renewable Heat Incentive.

The effect of this would be to provide a deeper intervention in many of the households assisted by the Scheme. This would help lift households out of fuel poverty in the short term, and also protect them against future vulnerability to fuel poverty (e.g. through energy price rises).

Links with ECO are also discussed under Q3 below.

Q2 Should the Scheme be targeted at certain types of customers/certain locations to maximise long term benefits (eg over a period of 15-45 years)? If so who/which locations should be targeted and how might this best be achieved?

Q3 How effectively is the Scheme interacting with these strategies and other forms of assistance? Please explain where the Scheme works well and where there are any issues.

We believe that links with ECO could be improved in order to ensure customers receive maximum benefit from the intervention.

Q4 Are there any changes we could make to the Scheme that would better align it to these strategies and forms of assistance?

It is very important that the Scheme has effective links with energy efficiency programmes. Energy efficiency can be built into the Scheme partly through the changes suggested in response to Q1, but also by strengthening links with existing schemes such as ECO. We suggest that integrating these schemes is an issue for detailed discussion between Ofgem, the network companies and the energy suppliers, but can offer the following recommendations:

- Awareness: ensure customers are fully informed about potential help through ECO (or other schemes) when they are offered a gas grid connection. Customers should be well-informed about ECO early in the process, to guide their decision on whether to pay part of the cost of gas connection (if required)
- Assistance and advice: ensure customers get help from a trusted advisor in applying for ECO measures. Local community and charity partners can play an important role here (see response to Q6 below).
- Partnerships and communication: ensure there is collaborative working between ECO obligated suppliers and network companies. Given that a change in fuel can be counted towards a supplier's HHCRO obligation, the opportunities for mutual benefit are significant.

Q5 Does the Scheme provide an opportunity to address these issues? What changes could be made to the Scheme to help address these issues?

Q6 Are there any other changes you would like to see made to the Scheme? If yes, what benefits do you think these changes will deliver?

Delivering energy efficiency

As noted above, in response to Q1, we suggest allowing use of some Scheme funding for the installation of energy efficiency measures such as loft and wall insulation in the homes of the Scheme's customers. While energy efficiency measures should be prioritised, it may also be beneficial to use Scheme funding for installation of renewable heating systems in some cases. This has the added benefit of providing opportunities for

increased household income through the Renewable Heat Incentive.

The benefit of this change would be to provide a deeper intervention in many of the households assisted by the Scheme. This would help lift households out of fuel poverty in the short term, and also protect them against future vulnerability to fuel poverty (e.g. through energy price rises).

Partnerships

We note that the inclusion of partnerships between network companies and other organisations is a strength of the Scheme. In particular, evidence shows that trusted local organisations such as charities, community groups and service-providers can be effective ways to engage vulnerable customers. The Association for the Conservation of Energy, together with The Children's Society, has recently carried out research on this subject, funded by Eaga Charitable Trust. This project, called "Reaching Fuel Poor Families" investigated the role Children's Centres can play in engaging fuel poor families with the various forms of assistance available to them. Reports can be viewed at: www.ukace.org/2014/10/reaching-fuel-poor-families-final-reports-published

The research evaluated (among others) a scheme in Bradford provided by Northern Gas Networks in conjunction with The Children's Society. This is an example of best practice in fuel poverty work by a network company. Trusted advisors hold regular advice sessions at local Children's Centres and community centres, and have an excellent track record in identifying customers eligible for various forms of assistance and supporting them throughout the process (including through home visits, translation services, help with paperwork and advice on other related issues).

Based on this research, we recommend further consideration of the way partnerships are used within the Scheme, and how past successes can be built upon. Network companies could be encouraged to develop a wider range of partnerships, and to include a greater number of charities, community groups and service-providers. Examples include Children's Centres, advice bureaux and local charities working on energy, sustainability or fuel poverty.

Due to their reach and relationships with householders, the effect of this could be to increase the take-up of the Scheme among the most vulnerable households. At the same time, these organisations are often able to add great value in terms of advice provision and customer support, especially regarding additional help that may be available, such as ECO measures. Some organisations may also offer welfare benefit checks or other useful advice, and referrals to other relevant service-providers. So this kind of partnership can facilitate a deeper and more holistic package of fuel poverty measures. Our research suggests that long-term, sustainable funding is fundamental to successful partnerships.

Q7 Do you agree with the updates to the eligibility criteria suggested in Annex 1? If not, please explain your rationale and any other changes you would like to see?

We agree that it is sensible to ensure that eligibility criteria fit with current policies.

We suggest that for the criterion based on the new Fuel Poverty definition, it might be beneficial to remove the requirement for "high costs" and simply use the "low income" criterion. If a household is below the poverty line and off the gas grid, there is a high chance that they are in or at risk of fuel poverty. This change would reduce the complexity of ascertaining eligibility, and so reduce the burden on network companies and their partners.

Q8 Do you agree with this change to the average domestic gas consumption value?