

### 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](mailto: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>  | Community Energy Solutions - CIC   |
| <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> | Fuel poverty / Energy Efficiency / Renewable Energy / Carbon Reduction<br>Including Fuel Poor Network Extension Scheme |
| <i>What areas of the country does your business operate in?</i>  | North England  |

#### 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.***

The scheme complements the strategy at least up to 2030 in suburban locations for households without the means of installing a gas condensing boiler. For the other geographical areas the scheme can act as a transitional tool, aiding progress towards the strategic framework objectives, considering hybrid, bivalent or gas absorption heat pump operating systems.

Hybrid and bivalent systems could further help grid resilience within the electric network

with switching from one form of fuel allowing effective demand side management reducing the requirement to store heat energy.

**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?**

The scheme offers immediate assistance to the affordability of energy for customers in or at risk of fuel poverty; gas remains one of the cheapest means of heating domestic properties. Intervention for households in fuel poverty should be made early with a focus on relieving the problems of today.

The purpose of the Scheme is to help alleviate fuel poverty. We think the scheme should also include 'those at risk of fuel poverty' and assist the following types of customers who are in and at risk:

1. The elderly – include an eligibility criteria based on older age occupants  
Fuel poverty and cold homes are associated with excess winter deaths. "The majority of deaths occurred among those aged 75 and over; there were 25,600 excess winter deaths in this age group in 2012/13 compared with 5,500 in people aged under 75"<sup>1</sup>.
2. People with cold related health problems/disabilities – consider an eligibility criteria that is based on receipt of health/disability related benefits  
Cold homes can exacerbate existing medical conditions, increase the likelihood of developing symptoms which can develop into long-term conditions, and slow down recovery following discharge from hospital<sup>2</sup>.
3. Households with children – include an eligibility criteria based on young age occupants  
"28% of young people lacking affordable warmth were at risk of multiple mental health symptoms, compared with just 4% of young people living in sufficiently warm homes"<sup>2</sup>.
4. Rural areas – increase the 20% IMD threshold to 40% in rural areas  
Households in fuel poverty in rural/fringe areas are not likely to be within the 25% most deprived LSOAs by IMD, and yet they typically have higher fuel costs and colder homes (due to larger/old/hard-to-treat properties, and lower temperatures and more severe weather than in urban areas) and are faced with higher gas connection costs (generally due to increased distance to existing gas network).

**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.**

Unfortunately scheme interaction with these strategies is minimal.

Funding links should be established with dedicated resource/targets for each definition. The scheme should be targeted at residents with the least chance of helping themselves and who don't have whole house heating or are using old inefficient systems.

<sup>1</sup> <http://www.ons.gov.uk/ons/rel/subnational-health2/excess-winter-mortality-in-england-and-wales/2012-13--provisional--and-2011-12--final-/stb-ewm-12-13.html>

<sup>2</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/357409/Review7\\_Fuel\\_poverty\\_health\\_inequalities.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/357409/Review7_Fuel_poverty_health_inequalities.pdf)

At present ECO - HHCRO is the closest aligned of the strategies with the scheme. Unfortunately HHCRO is primarily working as a boiler replacement programme (taking the least line of resistance), in the main it overlooks households which could be argued would benefit the more; alas the obligation can be easier and more cost effectively be applied elsewhere.

The start stop beginning of ECO has also had a negative impact with the scheme. This has compounded assistance via HHCRO for heating works and also impacted on the installation of other energy efficiency measures identified in conjunction with the scheme.

Green Deal has been identified by the Government as an initiative to tackle fuel poverty. This may be the case over the long term through the general improvement of the housing stock. However fuel poor households tend not to heat their home to standard definitions and realise energy improvements with partial comfort gains and do not generate the savings to repay a loan. An even greater risk could occur where Green Deal finance contributes to becoming fuel poor.

There is a danger the hardest to treat homes will be left until last. Distinguishing between rural and urban off-gas progress will enable closer monitoring and tailored support which would enhance development across the range, reducing the risk of concentration into perceived easier/cheaper to influence off-gas areas/housing stock types.

Given the distinct and specific requirements of off-gas homes we believe there should be dedicated indicators developed that can help to track effectiveness and progress. To enable distinction between off-gas scenarios, rural and urban off-gas areas should be easily identifiable.

The scheme currently does not provide support for high rise properties where the installation of gas CHP plant in the basement of such properties would allow major cost savings for the residents.

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

Our recommendations are:

1. Align to the Winter Fuel Payment criteria  
Maintaining a pure age eligibility to improve take-up, assist project development and align to the wider Fuel Poor strategy.
2. Retain Housing Benefit as a specific qualification  
This currently exists via CERT Priority eligibility. Retaining this will have a significant impact with the development of schemes with Social Landlords when the area is outside LSOA eligibility. Scheme viability can be assessed prior to approaching residents. For Social Landlords it is important for them to be able to assess opportunities without raising tenant expectation. The majority of tenants are not willing to interact with an assessment process as they presume their landlord is ultimately responsible for the maintenance and upgrade of the property.
3. Including 'the rural sub-obligation' in ECO (CSCO)  
Under CSCO, a 'rural area' is defined by reference: Rural and Low Income Areas<sup>56</sup>. This document describes a rural area as 'a settlement of fewer than 10,000 inhabitants'. As the IMD is weighted towards urban locations very few

rural areas qualify by LSOA<sup>3</sup>. We think allowance should be provided to address the balance between urban and rural qualification; for example the defined CSCO rural areas should be allocated a higher IMD rank such as the lowest 40% for example. Creating stronger links to the Fuel Poor strategy.

4. Allow Adjoining Eligible LSOAs

If a geographically defined off-gas area is split between multiple LSOA's; the majority of the homes are within an eligible LSOA and the minority fall within an ineligible LSOA, for practical purposes the whole project area should be classed as LSOA eligible.

5. Where the actual cost of connection falls below the voucher value, the differential could be used to support in-house works and delivered in combination with other policies designed to tackle fuel poverty.

6. Support group heating schemes by allowing the funding to be transferred to the installation of gas assists by the number of homes included within the scheme. At the moment only a single connection voucher could be considered even if 50 fuel poor homes are included within the group heating scheme. Eligibility would be determined by the status of the individual residents or location consistent with the scheme criteria.

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

**Delivery barriers to non-gas homes**

Barriers currently exist due to the lack of access to in-house funding. It is an expectation Fuel Poor Partners will bring access to in-house funding. Unfortunately due to current funding limitations through the exhaustion of previous schemes and the compliance requirements for ECO, this has become more challenging. See Q3 response.

**Better use of data**

1. Simple promotion of the scheme via Government funded outlets. For example, the Energy Saving Advice Service (Energy Saving Trust) does not fully recognise the scheme and have resisted opportunity to address.
2. Consider advantages of GDNO's accessing the Home Energy Efficiency Database (HEED).
3. Explore opportunities to link available data from gas and electric meter, suppliers, HEED, health, etc... and break down the perceived barriers data protection brings.

**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?**

Extending the scope of the scheme and including 'at risk of fuel poverty' as eligibility as well as 'in fuel poverty' definition. Current wider strategies are not delivering internal works required to establish effective use of a gas connection. Future policy changes proposed via ECO from 2015-17 for off gas homes, awaiting the detail, and there isn't any evidence available to understand effectiveness in aligning schemes.

We think it is highly necessary to ensure possible eligibility changes do not negatively impact on the delivery of the scheme and continues to provide assistance to those currently deemed to be fuel poor yet not perceived as meeting the low Income - High Cost Fuel Poverty definition.

<sup>3</sup> See response to question 7.

**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?**

No.

**LSOA changes**

It is proposed to increase the eligible LSOA areas from those which are within the 20 % most deprived areas to the 25% most deprived.

In the NGN\* area there are 1,136 LSOA areas which are in the 20% most deprived, of which 1,060 are urban >10k, 68 Town and fringe, 8 Village, hamlet and isolated dwellings. In the NGN area, increasing the catchment to the 25% most deprived areas, increases the number of eligible areas to 1,361, of which 1,246 are urban >10k, 99 Town and fringe, 16 Village, hamlet and isolated dwellings.

If it is assumed that there is no gas in the village, hamlet and isolated dwelling LSOAs, then the increase in proportion of possible LSOA areas which would be eligible for connections would be  $(100 \times (1,345 - 1,128) / 1,128) = 19\%$ .

\* the above figures exclude the Local Authority areas of Barnsley and Doncaster. The NGN area has a small cross over with these districts, but the majority of the areas is within the National Grid operating area.

**Benefit changes**

The consultation letter proposes changing the criteria of qualification for the fuel poor scheme from people who are currently eligible for measures under Warm Front to those who would be eligible under HHCRO. Additionally, it is proposed to remove the CERT priority group eligibility

From a total of 488 assessments carried out by CES for customers applying for one-off connections, 257 were eligible for a fuel poor voucher based on CERT Priority or Warm Front criteria. When these are compared against the new proposals only 107 would qualify for a fuel poor voucher on the HHCRO criteria. This is a reduction of 58%. Some of these people would also qualify under the other fuel poor criteria: LSOA and fuel poverty, so not all would lose out on the fuel poor connection. However, there is also a reduction in those eligible on the revised fuel poverty indicator.

**Fuel Poverty indicator**

Fuel poverty changing from old measure of spending 10 % of income on energy to the high cost/low income assessment from the Hills Review.

DECC figures for fuel poverty show that in 2011<sup>4</sup>, of the 6.40 million households in the North East, North West and Yorkshire & Humber regions, 1.14 million (17.9 %) were in fuel poverty under the old calculation method of spending 10 % of income on fuel. Using the new low income / high cost methodology, only 0.76 million (11.9 %) are in fuel poverty. This is a reduction of 33.5% or 379,000 households across the three regions.

**One off connections**

Of the one off fuel poor connections installed between May 2010 and April 2014 in NGN areas, 40% were issued on the basis of fuel poverty, 35% on CERT priority status, and the remaining 25% on the Lower Super Output Area rank.

If these proportions are adjusted in the expected proportions indicated above i.e.

<sup>4</sup> <https://www.gov.uk/government/statistics/fuel-poverty-2011-detailed-tables>

- an increase in LSOA of 19%,
- a decrease in fuel poverty of 33.5% and
- a decrease in benefit eligibility of 58%

Combining the above factors, we expect to result in an overall reduction in vouchers issued for one off fuel poor connections of 28%.

#### Schemes

For areas that do not meet the LSOA25 criteria, we expect that it is going to be extremely hard to develop community schemes. At present, social housing providers are able to look at their in-house data to find out the proportion of householders in an area where a scheme is proposed who are either 70 or over, or on housing benefit. This enables an early assessment in the development phase for scheme viability.

The proposed new criteria removes Housing Benefit and age 70 or over from the qualifying criteria, so to set up any scheme outside of LSOA25 areas, a detailed house to house assessment would be required to ascertain income, benefits and tax credits and an energy audit to establish eligibility for a scheme. This process will be resource intensive and carried out entirely at risk.

It is likely social housing providers will be reluctant to engage with the assessment of schemes outside LSOA25 criteria as they will risk raising expectation with their tenants that a scheme is likely to go ahead.

Additionally where tenants aren't willing to participate in the project, with respect this is their landlord's responsibility, it may not be possible to undertake an assessment with them to confirm eligibility therefore restricting the opportunity in taking a connection to the property efficiently within the whole scheme for use at a later date. It is therefore likely to act as a barrier to getting schemes off the ground.

The LSOA change (to 25%) would allow revisits to previously completed projects which were between LSOA20 and LSOA25. Although in one hand this is an opportunity, in the other there may be resentment from households who previously paid for their connection.

Proposed new eligibility criteria removes all links to health - previously covered via DLA.

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

No comment.