

### 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>	E.ON UK
<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>	Gas and electricity supplier
<i>What areas of the country does your business operate in?</i>	All areas of the 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.***

- Currently no as the Scheme only enables gas network extension and does not support any alternatives for delivering lower cost (as well as lower carbon) heating, whereas the UK's heating Strategic Framework and Scotland's Heat Generation Policy Statement support a range of options.
- Both the Strategic Framework and the Heat Generation Policy Statement recognise the benefits of district heating schemes, particularly in cities and towns

where there is concentrated heat demand. As well as providing lower cost heating, which would greatly benefit low income and fuel poor households now, heat networks also put in place the infrastructure to enable a manageable transition to renewable heat generation technologies in the future.

- In its current form, the Scheme could lead to new gas connections to individual dwellings where, instead, heat networks would be an appropriate and commercially viable solution and a better fit with the Strategic Framework and Policy Statement.
- In these cases, the outcome could be one that is contrary to the strategic direction of heat and energy efficiency, as well as being detrimental to achieving the UK's carbon reduction targets in the longer term.
- The Scheme could better align with wider activity on energy efficiency and fuel poverty by, as suggested, extending the funding available to support the deployment of district heating networks where appropriate and commercially viable.
- Heat networks connected to a gas-fired CHP unit are able to use gas more efficiently than individual boilers. This is more likely to be a viable solution in densely populated areas rather than rural communities. However, each case needs to be looked at on its own merit.

***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?***

- It would appear sensible to target support in such a way that delivers the intended benefits most cost-effectively to those that need it. However, it is clearly important to balance this with the need to ensure that eligible households living in more rural, less densely populated areas can also access support.
- The most deprived areas and those identified as low income already come under the criteria for eligibility. Where such areas are sufficiently densely populated, they may be suitable for connection to a district heating network.
- District heating is most appropriate for areas with high heat demand density, for example urban tower blocks not connected to the gas network. Households living in electrically heated multi-storey blocks are unlikely to have access to alternative, lower cost sources of heat. If district heating was deemed to be a cost-effective solution, the Scheme could fund the gas connection to the building leading to lower heating bills for residents, a significant proportion of whom may be in fuel poverty.

***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.***

- The benefit to a household of gaining connection to the gas grid or suitable alternative (eg district heating network) would be enhanced if the property was also well insulated. Fuel poor households are likely to be eligible for support under ECO which could complement the network extension scheme by improving the energy efficiency of properties in conjunction with gas grid connection.

- However, under the current ECO framework, delivery to fuel poor households is not always cost effective and therefore not a focus for most suppliers. Part of the issue for ECO is the cost of identifying fuel poor households, many of whom will live in rural locations. The network extension scheme aims to reach exactly these households - off-gas, fuel poor households - so the identification problem for suppliers could be addressed by the fuel poor networks extension scheme facilitating contact.
- Notwithstanding the above, another key consideration for ECO is that rural properties tend to require non-standard measures which make them expensive to deliver. Obligated suppliers would only deliver measures where it would be cost effective to do so.

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

- At the moment, the Gas Distribution Networks work with a partner organisation which has to ensure that the customer 'is able to make use of the gas when they are connected'. This could be strengthened to require them to ensure that the customer is able to make 'efficient' use of the gas when connected.
- This could entail the partner organisation facilitating contact between the householder and an ECO-obligated supplier to explore whether there were any measures that could be delivered cost-effectively to improve the energy efficiency of the property.

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

- No comments.

***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?***

- No comments.

***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?***

- Yes, we agree with the updates to the eligibility criteria.

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

- No, we do not agree with this change if it would result in fuel poor households having to make a larger contribution to the cost of connection.
- The original rationale for linking the value of the discount to consumption was to avoid existing customers paying for any shortfall. Whereas this seems reasonable, it assumes that the average domestic gas consumption is a close proxy for the average gas consumption of households targeted by the Scheme.

- This may not necessarily be the case. Most domestic gas consumers live in cities and urban areas where the houses are in close proximity (eg terraced). By contrast, fuel poor households in rural areas are more likely to live in stone-built, detached properties which will typically cost more to heat. The reduction in average gas consumption value would therefore disadvantage fuel poor rural customers, an outcome that is counter to the aim of alleviating fuel poverty.
- Furthermore, if network connection costs remained the same, or were to increase as a result of rising labour costs, then the gap between connection cost and discount value would grow. This would result in more people having to contribute to the cost of connection and could act as a barrier to take-up.