

## 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>	Wales & West Utilities
<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 Transporter
<i>What areas of the country does your business operate in?</i>	Wales and the South West of 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 strategy is to reduce emissions to near zero by 2050. This will include switching natural gas heated homes to low carbon means of heating.

However, we see that in the medium term, gas is still the most cost effective way of increasing the energy rating of the home and reducing the carbon emissions. This was supported by the Red point survey carried out in 2010 (ENA - Gas Futures Reports).

When we engage with Stakeholders such as Social landlords, they tell us that the investment currently required in new technologies such as heat pumps is such that they will go for a gas connection up to an investment of around £7k and consider an investment period of 10-15 years. This practical experience supports the conclusions of the work done by Delta EE for the ENA in its Pathways for domestic Heat report in 2013.

The framework also talks about the investment required in network extensions. These schemes often require a large investment currently assessed over 20 years. We set challenging targets for the number of connections required for scheme to progress to ensure only the economic schemes progress. Again, these will provide a medium term solution for the community.

The framework also promotes the use of renewable heat in rural off gas grid networks. We are working with a number of potential producers who are initially looking to inject bio methane into the gas grid but the number of viable discrete local networks is seen to be low. However, the scheme would support connections to these networks where eligibility criteria are met.

We are also exploring the options for delivering hybrid gases through our network such as hydrogen mixing that will reduce the risk of these assets becoming stranded assets.

The success of the Gas Transporters fuel poor scheme under RIIO is largely measured purely on the number of gas connections made. That is what the scheme is designed to achieve. Unless the scheme is relaxed so that we can fund the equivalent value towards a lower carbon technology, for example installing an air source heat pump, if that is the best cost option and what the customer wants, the scheme cannot deliver on the 'zero' carbon target.

***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?***

Whilst the maximum value of the voucher is reasonable (currently £2,778 in WWU but would reduce to around £2,200), this means the benefit will typically be limited to properties within 200m of the existing mains network.

This is generally urban areas. The housing with the worst energy efficiency ratings is privately rented properties, so the scheme needs to be able to support landlords and tenants in these properties.

We have seen that the larger mains extension schemes generally happen when there is a social landlord with a good proportion of stock they need to improve in an area. The scheme therefore needs to be inclusive of social landlords to enable network extensions to fuel poor customers to continue.

***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 scheme has worked well in supporting both social landlords and privately owned households over the last five years. However, private landlords have been slow to utilise the scheme despite its promotion by ourselves and other agencies. The new obligations on landlords to improve the energy efficiency of the home may see an increase in the number of fuel switches but many homes have a transient population meaning carrying out an assessment if a tenant can be difficult.

The funding towards the mains and service to a property is welcomed by all parties. The issue is that there is little funding support towards new heating systems by the

companies with ECO responsibilities. Their focus is on replacement boilers or insulation measures. Where we have tried to engage with the energy suppliers, the funding is limited to the cost of the boiler and the controls. The customer is still left to fund the radiators and copper system which can amount to around £1,500 - £2,000. A customer who is in true fuel poverty cannot afford this and therefore the fuel switch does not take place.

The scheme does not offer support for communal heating systems, only for individual supplies to homes. We have therefore been unable to fund a small number of schemes in our area where due to access and space, a boiler was not the right option for the residential housing scheme.

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

Be able to support communal heating schemes to complexes and flats to the equivalent of the support given to individual properties.

Ability to offer the balance between the actual costs incurred and the maximum value of the voucher towards funding the internal heating system.

Requirement within ECO for suppliers to fund a minimum number of new heating systems.

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

The scheme should also clarify if any of the allowance given to the GDNs can be used for funding other measures such as debt and tariff advice (through partner organisations)

***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?***

After 5 years of the scheme we have had a number of discussions with IGTs but no schemes have progressed as laid out in the Ofgem scheme letter. A simplified process for third parties to access the fuel poor funding without the need to engage with their own fuel poor partner would encourage further connections. The revised scheme should permit the assessment to be carried out by the GDN fuel poor partner but with the risk being with the IGT.

The scheme rules should also review the requirements for working with a fuel poor partner. We are aware that other networks have had approval for self-certification via social landlords and if this process works the scheme should authorise this to avoid the need to seek approval each time from Ofgem.

***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 support the move to align the gas transporter and energy supplier schemes in general. However, we note the following:

1. The move to be able to fund the IMD Top 25% will increase our scope within Wales. However, in England we can currently only help 86 of the 6,500 LSOA areas. The move to top 25% will increase this but it is essential that the CSCO areas are included in our scheme.
2. The move to HHCRO will exclude social landlords for eligibility for measures. Along with the removal of the over 70 criteria, social landlords will either have to rely on the property being in the IMD or CSCO area, or providing information for the revised fuel poor test.
3. The removal of the automatic qualification over 70 years of age will make assessment of households more complicated
4. The introduction of the revised fuel poor test in England will need our partners to have new tools to undertake the assessment. We require clarity on if the median income is a national or regional figure for example. In WWU we will have the complication of carrying out the 10% test in Wales and the new measure in England meaning we are not able to treat our customers the same.

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

The consumption of the properties typically served by the scheme is lower than the 19,000kwh currently defined in the letter and as such the value should be lowered. The majority of our connections would still happen based upon this revised value despite the maximum value of the voucher dropping from £2,800 to £2,200 in our network.

However, if we were able to use any excess money after the service connection had been made towards to the heating system, this would be a much lower value than the current position.