

Consultation Response from Welsh Government

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.

Welsh Government is committed to the long-term vision of moving towards using low carbon energy sources; however we value the fuel poverty voucher scheme as a key tool in our work to tackle fuel poverty. We would like to see the success of the Fuel Poor Network Extension Scheme in addressing fuel poverty in rural Wales continue. Whilst we understand the drivers to better align the Scheme with wider activity, such as renewable heat generation, we believe that there is a danger that the focus and success of the scheme in tackling fuel poverty may become compromised.

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?

This is an important scheme for tackling fuel poverty, and it needs to target households on the lowest incomes who are facing the highest energy bill costs. The importance of targeting was highlighted in the Hill's Review, which looked at fuel poverty in England, and recommended that if the cost of delivering a scheme falls on bill payers and is regressive, then the scheme should be narrowly targeted at the poorest householders to mitigate the effects of this. If the Fuel Poor Network Extension Scheme is not targeted effectively, it is not likely to reduce fuel poverty and could make the severity of fuel poverty greater.

Over one third of fuel poor households in Wales live in properties that are off the gas network so this scheme is an important tool for us in helping to tackle fuel poverty. Many policies around energy do not sufficiently recognise the need faced by rural communities, and we would like to see an increase in fuel poverty schemes that target rural areas.

In considering the targeting of customers, it should be noted that there is no standard definition for fuel poverty across the UK. Wales has retained the definition that a household is in fuel poverty if it spends over 10 per cent of its income on energy costs, whilst England has chosen to use the definition presented in the Hill's review. When considering localities, the eligibility criteria for the scheme should be attached to factors that are comparable across the whole of the UK.

Q3 How effectively is the Scheme interacting with these strategies [ie. those in Wales and Scotland] and other forms of assistance? Please explain where the Scheme works well and where there are any issues.

Despite fuel poverty being a devolved issue, many of the levers that can be used to tackle fuel poverty rest with the UK government. This scheme is another example of this. As 30 per cent of Welsh houses are in fuel poverty we have made sure that we have maximised our schemes to work together with UK government initiatives to gain the most benefit for those experiencing fuel poverty. The Fuel Poor Network Extension Scheme has worked successfully with both our demand-led (Nest) and area-based (Arbed) schemes and is a good

example of how schemes with the same objectives can work well together. While it is beneficial for different schemes and policies to support one another, there is a danger that a scheme can become compromised if it is skewed to support a scheme that has different objectives. It is, therefore, important that the Fuel Poor Network Extension Scheme remains focused on supporting low income, off gas, fuel poor households. We would not expect the scheme to be changed to try and align it with other initiatives, for example, the Green Deal, which is not an appropriate solution for low income households.

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

This is a fuel poverty scheme, and as such it should only be aligned with strategies and schemes that are focused on the tackling fuel poverty agenda.

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

In the Fuel Poverty Strategy for Wales we have set out that we will target rural households and we have designed our schemes to do this. The Fuel Poor Network Extension Scheme is working well with Welsh Government schemes and has been successful in helping to deliver our strategy to tackle fuel poverty.

We are aware that FPAG and DECC are looking at the potential of gas-mapping, which will support the targeting for the gas extension scheme. Our schemes are effective at targeting rural households and our own gas mapping exercise has helped us to achieve this in Wales.

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?

We feel very strongly that this scheme should remain a fuel poverty and gas extension tool, and that there is no clear reason for making any significant changes in the short term. The letter indicates that in future the scheme will also consider non-gas solutions, but is not clear about what those solutions may be. Further information is needed to enable us to comment on any specific non-gas solutions.

Our experience of district heat networks is that they work well where there is a strong management structure in place to support them, such as social housing or urban apartment blocks. Consequently, if the scheme focuses on heat, it is unlikely to help those most in need of support – the fuel poor in all off gas areas.

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?

1. Although we are not against the change in principle, we would like recognition that the bottom 25% of people living in a deprived area in Wales is not comparable with the bottom 25% of those in England as levels of deprivation are greater in Wales.
2. We do not agree that this criteria is no longer applicable. Although CERT no longer exists, a more up to date criterion should be used instead to ensure that vulnerable households and those on a low income are targeted. We suggest that the criteria are benchmarked to HHCRO, as the updated version of CERT.
3. Agree as the proposed criteria recognises that the definition of fuel poverty used in

Wales and Scotland is different to England and that the different definition in use in each country should apply.

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

It is not clear why the voucher is calculated to reflect the cost of the current gas usage, rather than the cost of installation. Welsh Government is concerned with the number of policies being issued that do not take account of the specific needs of the fuel poor who live in rural areas. Calculating the voucher in this way disadvantages the fuel poor in rural areas as it does not allow for the higher cost of a gas installation in a rural area, where the majority of households will be off gas. Anybody taking up this scheme in a rural area is more likely to have to contribute to the higher cost of the installation, and therefore only those who are able to pay will use the scheme. We suggest that two different rates are used to calculate the vouchers – one for urban areas and one for rural.

