

Appendix 1 - Response Template

1.1. As set out in Chapters 4, 6 and 7, we are consulting further on certain areas of the Scheme and we would welcome your views. We raise 7 questions throughout this paper which we have consolidated in this Appendix. 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 let us know.

1.2. Once you have completed the questionnaire please send it by email to rupika.madhura@ofgem.gov.uk You need to return the completed response template (word version published alongside this paper) to us by 18 June 2015.

1.3. Unless marked confidential, all responses will be published by placing them in Ofgem's library and on its website www.ofgem.gov.uk. Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.4. *If you would like to discuss the contents of this paper please call Rupika Madhura on 020 7901 7091, or email rupika.madhura@ofgem.gov.uk*

Part 1 - About you

Question	Your response
<i>What is your name?</i>	Kate Smith
<i>What is your position?</i>	Fuel Poverty Policy Manager
<i>What are your contact details?</i>	Kate.smith@wales.gsi.gov.uk

Part 2 - About your business

Question	Your response
<i>What is your company's name?</i>	Welsh Government
<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>	Government – Our energy efficiency and fuel poverty programme includes area-based and demand-led schemes that work with the Fuel Poor Network Extensions Scheme.
<i>What areas of the country does your business operate in?</i>	Wales

Part 3 – FPNES review questions

Q1 – How do you think the voucher calculation should be amended for funding DH schemes? From which party would the future gas transportation revenue be recovered?

We remain of the view that amending the scheme to include DH schemes could lead to a focus on social housing and urban apartment blocks and not those households most in need - the fuel poor in all off-gas areas. We do, however, recognise the potential value that the voucher scheme could bring to DH schemes.

We cannot offer further advice on the calculation of the voucher for DH scheme, but remain of the view that the value of the voucher should reflect the cost of installation, and not the gas usage. 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 remain of the opinion that two different rates should be used to calculate the vouchers – one for urban areas and one for rural.

Q2 – What calculations and assumptions should be made for:

- 1. the gas consumption of the CHP unit and for the individual DH connected households.**
- 2. asset life over which the connection costs are recovered.**
Please provide detailed suggestions in your response.

We cannot offer further advice on the calculations and assumptions for gas consumption or for the asset life.

Q3 – Do you think the partnership eligibility criteria for the Scheme should be amended to support the inclusion of DH and if so, how? Please provide detailed suggestions in your response.

We remain of the view that including DH schemes could lead to a focus on social housing and urban apartment blocks and not those most in need - the fuel poor in all off-gas areas. If DH schemes are to be included then there must be a strong screening process in place to ensure that all households included within the scheme meet the requirements of Section 4AA of the Gas Act 1986 to be "individuals on low incomes".

We are currently procuring research to identify the low income groups in Wales who are most at risk of the effects of living in a cold home. The research will consider how to define low income households and how eligibility can be demonstrated. We would be happy to share the findings of this work with Ofgem once the research is completed in December.

Q4 - In addition to the current arrangement, how can the Scheme be modified to better enable gas connections for eligible households that are located adjacent to an iGT network?

We cannot offer further advice in this area.

Q5 What is your view on our proposal to introduce changes to the partnership approval process and the obligations of the partner organisations?

We are content with the proposal of implementing a one month timescale for the completion of a submitted application. However we feel that it is for the GDNs to provide comments on whether this is the correct timescale.

Q6 What is your view on our proposal to use the medium gas Typical Domestic Consumption Value, published and updated periodically by Ofgem, as the average gas consumption number in calculation of the fuel poor voucher?

We are concerned that using the new lower medium gas Typical Domestic Consumption Value to calculate the fuel poor voucher will lower the value of the voucher at both the regional and household level. Lower voucher values will require households to make a bigger contribution towards the overall cost of works and will have a negative impact on households in rural, off-gas areas where the cost of works is higher than in urban areas. This could mean that some rural households are not able to proceed with works and the opportunity to connect a property to the gas network is lost.

Q7 We welcome your views on the fuel poor output incentive mechanism.

The document does not include sufficient details on the incentive mechanism to enable us to offer a view. We would welcome more information on the operation of

the incentive mechanisms so that our economists can comment fully on the proposals.