

Consultation Response

Revised connections target and associated Additional allowed expenditure for Fuel Poor Network Extension Scheme under RII0-GD1 price control uncertainty mechanism – Consultation Response from the Energy and Utilities Alliance (EUA)

August 2015

1. About EUA

The Energy and Utilities Alliance (EUA) is a trade association representing the energy supply chain.

EUA was created to give everyone in the energy supply chain one voice. We have a range of members from those involved in fuel supply to the end user, covering all sectors of the economy, including world class manufacturing, research and development and leading service industries. We've been at the heart of the energy industry for over a hundred years and every home in the country has a product made, sold or fitted by our members.

EUA is responding to this consultation because we represent Gas Distribution Networks, pipeline engineering companies and heating appliance manufacturers. All of whom would be affected by the proposed changes.

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2. Response Summary

EUA welcome Ofgem's proposals to revise the total connections target to 91,203. In our manifesto, launched before the election, we called on the new government to connect more properties to the gas grid. We believe that for many fuel poor properties currently off the gas grid, connection to mains gas offers the most cost effective way to reduce their heating bills. This position is supported across our trade association. These changes would also affect our members that support end users, and advance notice of increased connections will help them plan strategies to assist those in fuel poverty. Mains gas boilers are the most cost effective way to heat the majority of homes in the UK and especially the profile of homes to be connected. Ofgem's proposals will facilitate their installation.

3. Full Response

Question 1

Do you agree with our assessment of revised connections target for the GDNs for the scheme?

EUA agrees with Ofgem's assessment. EUA would like to see an additional 20,000 properties connected per year. This is greater than the number proposed by Ofgem. However we accept that energy bills may be affected if the number of

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connections is set too high and we do not want to put further pressure on energy bills.

We also agree that the revised targets better reflect the regional distribution of fuel poor households across Britain.

Table 1 outlines the cross-regional distribution of fuel poor households in Britain.

Approximately 11.6% of fuel poor households are in the North-West. Under the original RIIO targets 17.2% of targeted fuel poor connections were to be made in the North West. Under the revised targets, this has been reduced to 14.6%.

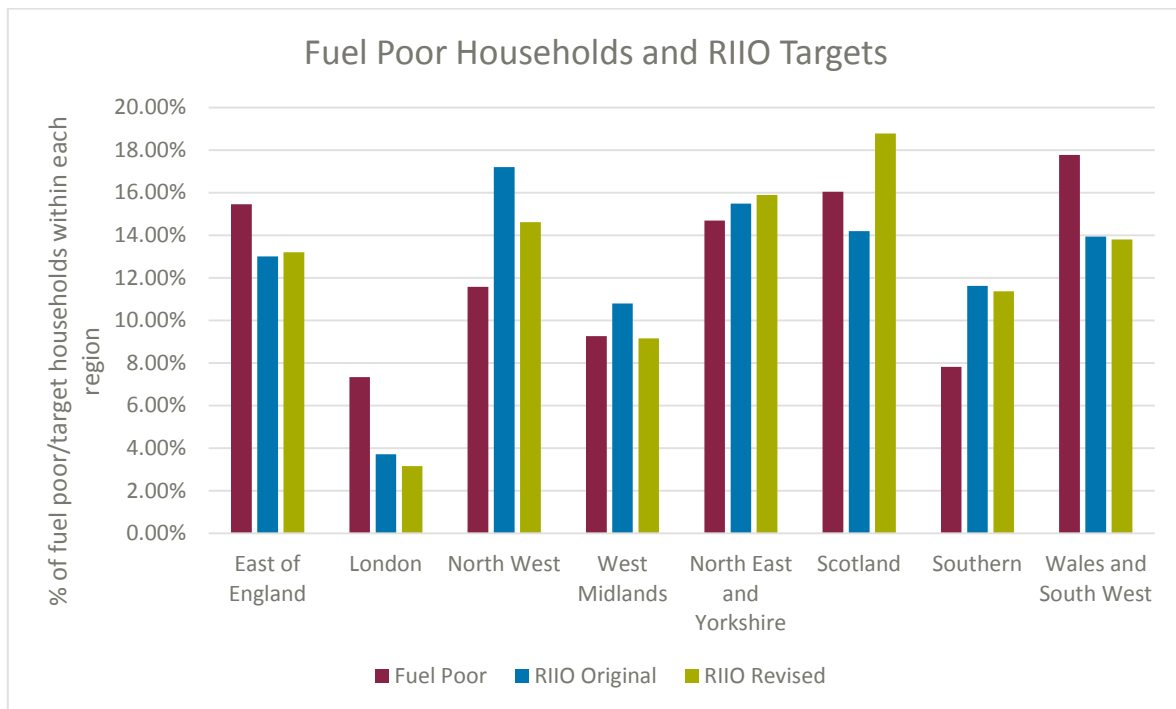
Table 1

		Proportion of fuel poor households in region	Proportion of Original RIIO-GD1 Targets	Proportion of Revised RIIO-GD1 Targets
NGGD	East of England	15.46%	13.01%	13.21%
	London	7.34%	3.72%	3.16%
	North West	11.59%	17.21%	14.62%
	West Midlands	9.27%	10.79%	9.17%
NGN	North East and Yorkshire	14.70%	15.49%	15.90%
Scotia	Scotland	16.04%	14.20%	18.78%
	Southern	7.83%	11.62%	11.37%
WWU	Wales and South West	17.78%	13.94%	13.80%
Total		100.00%	100.00%	100.00%

Sources: DECC - 2012 sub-regional fuel poverty data; Scottish Government - High Level Summary of Statistics data for Housing and Regeneration trends; Welsh Assembly Government - Further analysis of Living in Wales 2008 property survey data.

NB: For the sake of comparison across England, Wales and Scotland the 10% indicator of fuel poverty has been used.

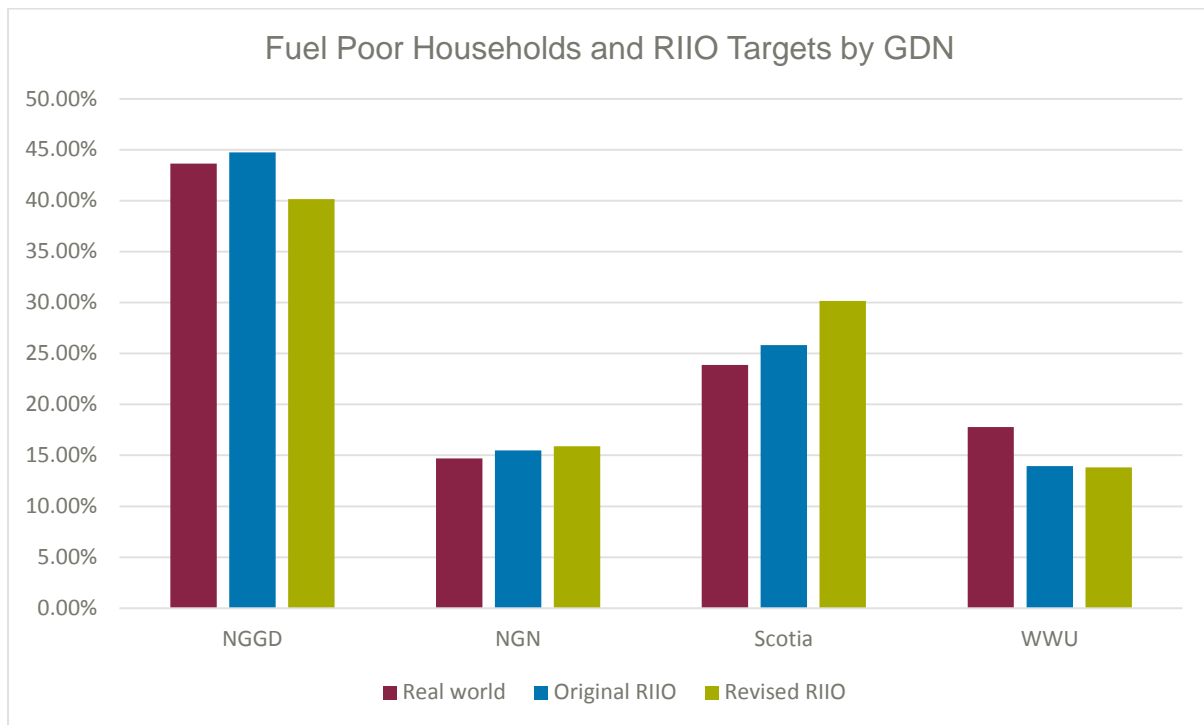
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Furthermore, the targets imposed by RIIO impose a requirement on GDNs that broadly reflect the scale of fuel poverty in the regions they cover as illustrated in table 2:

Table 2	Proportion of fuel poor households in region	Proportion of Original RIIO-GD1 Targets	Proportion of Revised RIIO-GD1 Targets
NGGD	43.66%	44.74%	40.15%
NGN	14.70%	15.49%	15.90%
Scotia	23.87%	25.82%	30.15%
WWU	17.78%	13.94%	13.80%

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Based on this analysis we support the revised connections.

Question 2

Do you agree with our assessment of the additional allowed expenditure for the GDNs to facilitate additional connections under the scheme?

We have consulted our members on this question and they agree with the assessment in the consultation.

3.1. EUA would be very pleased to discuss any of the issues raised in this

submission, please contact: EUA, Camden House, Warwick Rd, Kenilworth,

CV8 1TH.

Date: August 2015

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Revised connections target – Consultation Response – EUA