

Response to Ofgem minded to position on revised connections fuel poor targets and associated allowed expenditure

Part 1 - About you

Question	Your response
<i>What is your name?</i>	Steven J Edwards
<i>What is your position?</i>	Head of Regulation and Commercial
<i>What are your contact details?</i>	Steven.J.Edwards@wwutilities.co.uk 02920 278836 07976727786

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 providing funding to eligible customers for the gas mains and services in compliance with the Fuel Poor Network Extension Scheme approved by Ofgem
<i>What areas of the country does your business operate in?</i>	Wales and the south west of England

Question 1

Q1 – Do you agree with our assessment of the revised connections target for the GDNs for the scheme?

We are pleased that you have accepted our forecast of workload over the remainder of the RIIO GD1 period which was informed by significant stakeholder input. We are committed to achieving the revised target of 12,590 connections.

We also support the decision not to include district heat networks as a target given the low level of interest we have seen from stakeholders to date.

The ability to deliver the updated workloads is dependent on the updated scheme eligibility criteria and the future Fuel Poor Voucher value and we therefore ask for early clarification on these key points.

We also need to fully understand the proposed incentive regime and again ask for early detailed clarifications on the proposed scheme – including Licence drafting.

Q2 – Do you agree with our assessment of the additional allowed expenditure for the GDNs to facilitate additional connections under the scheme?

We do not agree with the assessment of the additional allowed expenditure. The proposed additional allowance falls short of the efficient additional cost of delivery. We propose an additional allowance based on a unit cost equal to that set for the initial RIIO GD1 Fuel Poor volumes. The current proposed allowances will result in a

Response to Ofgem minded to position on revised connections fuel poor targets and associated allowed expenditure

disincentive as Networks will have to fund the majority of the shortfall under the Totex Out/Under performance sharing mechanism.

We identified that delivery of the additional connections would have a unit cost in the region of £1,750. This included £1,180 for the gas service and £570 for the mains laid to supply these properties. The unit cost of £1,181 that you have used is therefore low and does present an issue in us delivering larger fuel poor mains extension schemes going forward.

Other comments:

The ability to deliver the additional workloads does depend on the updated Scheme eligibility criteria and the future Fuel Poor Voucher value. We therefore need early clarification of these key changes – ahead of final decisions and implementation.

We also need to fully understand the proposed incentive regime and again ask for early detailed clarifications on the proposed scheme – including Licence drafting.

We are disappointed to see that the proposed mechanism of providing a proportion of the voucher value to the IGTs has not been accepted. We believe the IGTs have an important part to play in connecting homes where their network is closer to the customer than ours and if they can deliver a project cheaper to a community than ourselves then that is the right thing to do to tackle the fuel poverty problem. We do believe that if the IGTs cannot receive funding from the GDNs until the end of RII0-GD1 that will leave us in the current position with minimal connections being made by the IGTs.

We look forward to seeing the final decision on the operation of the scheme so that we can commence communication to stakeholders. We also hope that we will be able to test the fuel poor calculator for conventional gas connections and district heat networks and that we can work together to ensure it is fit for purpose prior to commencement of the scheme. It is important we can communicate the maximum value of the voucher in our communication to stakeholders.