

All interested parties and  
stakeholders

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## **Fuel Poor Network Extension Scheme: Update to the eligibility criteria due to changes to the Energy Company Obligation (ECO)**

The Fuel Poor Network Extension Scheme (“FPNES”) helps households that are off the gas grid switch to natural gas by offering funding towards the cost of connecting to the gas network. Ensuring fuel poor households have access to affordable energy supplies is a key energy policy priority. Access to gas, usually the most cost-effective fuel for heating, is a key way to tackle this problem.

To get a gas connection under the FPNES, a household needs to meet the eligibility criteria.<sup>1</sup> In order to maximise the benefits of the FPNES, the criteria reflect commonly used proxies of fuel poverty or reflect criteria employed by related measures and schemes. This helps to ensure that the households that benefit from the FPNES are more likely to also benefit from related assistance, which in turn helps provide a comprehensive solution for the household.

A number of the FPNES criteria are related to the government’s Energy Company Obligation (ECO) scheme. We are now proposing to update the eligibility criteria to take account of the recent government changes to ECO.<sup>2</sup> This update will ensure FPNES and ECO are aligned, maximising the chances of those in need receiving the benefit.

The FPNES changes would be effective from 1 April 2017, to coincide with changes to ECO.<sup>3</sup> We are seeking views on these changes by 24 March 2017.

### **Relevant changes to ECO**

The current ECO scheme (ECO2 - April 2015- March 2017) has three obligations:

- Carbon Emissions Reduction Obligation (CERO): delivering primarily insulation measures to any home in Great Britain.

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<sup>1</sup> As set out in [Appendix 5, March 2015 Key findings of Fuel Poor Network Extension Scheme Review](#)

<sup>2</sup> Set out in the government response, found here - <https://www.gov.uk/government/consultations/energy-company-obligation-eco-help-to-heat>

<sup>3</sup> The current changes do not preclude us from amending the eligibility criteria in the future, considering any changes in the eligibility criteria for the future supplier obligation. In the 2015 Autumn Statement, the government confirmed funding for a supplier obligation scheme until 2022. The government will be consulting on the structure of this future obligation in due course, to follow the transition period from 1 April 2017.

- Carbon Saving Community Obligation (CSCO): delivering primarily insulation measures restricted to any home within the 25% most deprived areas in Great Britain. It also includes a rural “sub-obligation”.
- Affordable Warmth (AW, described in legislation as the Home Heating Cost Reduction Obligation (“HHCRO”)): primarily delivering heating measures to low income and vulnerable households.

The government has decided to remove the CSCO element of ECO.<sup>4</sup> CSCO was found to be ineffective at targeting fuel poor homes.<sup>5</sup> The rural “sub-obligation” of CSCO will be delivered under CERO.

Changes to the eligibility criteria for HHCRO have also been announced by the government, which include:

- sub-criteria will be removed for recipients of some means-tested benefits, while multiple income thresholds for Tax Credit and Universal Credit recipients will be introduced;
- eligibility for certain measures will be extended to social housing with an EPC energy efficiency rating of E, F or G;
- local authorities will be able to determine eligible homes under the new ‘flexible eligibility’ mechanism. Suppliers will be able to use this voluntarily for up to 10% of their HHCRO obligation;
- the number of qualifying gas boiler replacements will be limited, to the equivalent of around 25,000 per year.

### **Consequential changes to the FPNES criteria**

The current and proposed updated eligibility criteria for the FPNES, as of 1 April 2017, are set out in Appendix 1.

#### *Removal of geographic criterion*

The first eligibility criterion of the FPNES is that the household must “reside within the 25% most deprived areas, as measured by the government’s Index of Multiple Deprivation (IMD)...” in order to encompass the areas eligible under CSCO.<sup>6</sup>

Because the government has decided to remove CSCO from ECO in order to better focus the scheme towards low income households, we are proposing to remove the equivalent criterion for the FPNES, in order to be consistent with other related initiatives and ensure the FPNES is effectively targeted at those in fuel poverty.

#### *Automatic changes due to change to HHCRO*

We do not intend to change the other two eligibility criteria of FPNES at this time. However, we also want to make stakeholders aware that, since one of the eligibility criteria for the FPNES is that the household qualifies for measures under HHCRO, changes to the eligibility criteria for HHCRO will automatically affect eligibility for the FPNES.

Overall, the changes mean that the FPNES will be better targeted towards government objectives for fuel poor households, as well as being aligned with schemes that can provide

<sup>4</sup> As laid out in the government response document, here - [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/586260/ECO\\_Help\\_to\\_Heat\\_Government\\_response\\_FINAL\\_26\\_Jan\\_17.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/586260/ECO_Help_to_Heat_Government_response_FINAL_26_Jan_17.pdf)

<sup>5</sup> More details can be found in the consultation document, here - [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/531964/ECO\\_Help\\_to\\_Heat\\_Consultation\\_Document\\_for\\_publication.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/531964/ECO_Help_to_Heat_Consultation_Document_for_publication.pdf)

<sup>6</sup> Currently, eligible CSCO areas are the 25% most deprived areas in the country, as measured by the government’s Index of Multiple Deprivation (IMD). The IMD is defined separately for England Scotland and Wales.

additional/complementary support, such as funding for in-house works. This is consistent with our aims of the FPNES, in order to ensure a whole-house solution is available. We consider this approach will continue to maximise the effectiveness of the FPNES.

If you have any concerns related to these changes, or wish to discuss any aspect of this letter, please get in touch with Sam Taylor ([Samuel.Taylor@ofgem.gov.uk](mailto:Samuel.Taylor@ofgem.gov.uk)) by 24 March 2017.

We will consider all responses to this consultation and aim to publish our final decision shortly thereafter. These changes to the FPNES would then take effect from 1 April 2017.

Unless clearly marked as confidential, all responses will be published by placing them in Ofgem's library and on its website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)). Respondents may request that their response, or part of their response is kept confidential and those who wish to do so should clearly mark their documents to that effect.

Yours sincerely,



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Appendix 1 – Proposed updated eligibility criteria as of 1 April 2017

Current criteria	Updated criteria as of 1 April 2017	Reason for the update
<b>Existing households will qualify for the network extension scheme if they:</b>		
<p><b>1. reside within the 25% most deprived areas, as measured by the Government’s Index of Multiple Deprivation (IMD). The IMD is defined separately for England, Scotland and Wales. Therefore, for example, a Welsh household will qualify if it falls within one of the 25% most deprived areas in Wales as measured by the Welsh Index of Multiple Deprivation (WIMD), or</b></p>	<p><b>No longer applicable</b></p>	<p>ECO’s Carbon Saving Community Obligation (CSCO) has been removed by Government, noting that HHCRO is better targeted towards low income households.</p>
<p><b>2. are eligible for measures under HHCRO<sup>7</sup> (England, Wales and Scotland), Nest (Wales) or the Home Energy Efficiency Programmes for Scotland, or</b></p>	<p><b>No change</b></p>	<p>These schemes continue to operate in the indicated countries. Please note that the eligibility criteria for HHCRO are changing, as has been outlined.</p>
<p><b>3. are in fuel poverty based on the latest definition/indicator. England uses the Low Income High Cost Indicator.<sup>8</sup> Under this definition a household is considered to be fuel poor where:</b></p> <ul style="list-style-type: none"> <li><b>• its income is below the poverty line (taking into account energy costs); and</b></li> <li><b>• its energy costs are higher than is typical for its household type.</b></li> </ul> <p><b>For devolved administrations, the definition in use at the time of application for a connection under the FPNES should be used.</b></p>	<p><b>No change</b></p>	<p>No change</p>

<sup>7</sup> The latest guidance can be found on our website here - <https://www.ofgem.gov.uk/environmental-programmes/eco/contacts-guidance-and-resources/eco-guidance>

<sup>8</sup> More information here - [Fuel Poverty: a Framework for Future Action July 2013](#)