

# Governance

## The Fuel Poor Network Extension Scheme (FPNES) Governance Document

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### Overview:

The Fuel Poor Network Extension Scheme (FPNES) is a scheme delivered by the Gas Distribution Networks (GDNs) in partnership with other organisations to help tackle fuel poverty by supporting off-grid, fuel poor households to connect to the gas network. The purpose of this document is to set out the eligibility criteria that FPNES Connections must meet and the requirements for the administration and delivery of the FPNES.

**It is the responsibility of each Network Licensee to understand the provisions of this Governance Document and how those provisions apply to it.**

This document is version 1 of the Fuel Poor Network Extension Scheme (FPNES) Governance Document referred to under Special Condition 3.14 of the Gas Transporter Licence. It will take effect from 1 April 2021.

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## 1. Introduction

- 1.1. The Fuel Poor Network Extension Scheme (FPNES) is a scheme delivered by the Gas Distribution Networks (GDNs) in partnership with other organisations, including Independent Gas Transporters (IGTs).
- 1.2. The FPNES applies to existing domestic properties or the splitting of a single existing domestic property into multiple domestic properties.
- 1.3. The FPNES provides a discount to eligible households against the cost of connecting to the gas network in the form of a voucher.

### **The FPNES Governance Document**

- 1.4. This document sets out:
  - a) the eligibility criteria which FPNES Connections must meet; and
  - b) requirements the licensee must adhere to in relation to the administration and delivery of the FPNES.
- 1.5. In this document we use the terms, 'Ofgem' and 'the Authority' as well as the terms 'we', 'us' and 'our' interchangeably. Ofgem is the Office of the Gas and Electricity Markets. The Authority is the Gas and Electricity Markets Authority and is the governing body of Ofgem, consisting of non-executive and executive members.

### **Compliance**

- 1.6. GDNs are required by the FPNES Licence Condition to comply with this document as it relates to the delivery and administration of the FPNES.
- 1.7. This document in no way relieves affected parties, including GDNs, IGTs and Partner Organisations, from their responsibility to ensure ongoing compliance with legislation including competition, data protection, environment and consumer protection laws.

**Review**

- 1.8. Ofgem may from time to time amend this FPNES Governance Document by direction, in accordance with the FPNES Licence Condition.

## 2. Eligibility Criteria

- 2.1. The following eligibility criteria must be met in order for a householder/tenant to be eligible for a FPNES Connection..
- 2.2. The FPNES applies only to existing domestic properties, or the splitting of an existing domestic property into multiple domestic properties.
- 2.3. Subject to the FPNES flex mechanism described in paragraphs 2.9 to 2.12, in order for a householder/tenant to be eligible for a FPNES Connection, the householder/tenant must meet one or more of the eligibility criteria set out in paragraphs 2.4 to 2.8:

### Criterion 1:

- 2.4. The householder/tenant must either be:
  - a) eligible for measures under:
    - i. the Home Heating Cost Reduction Obligation (HHCRO) component of the Energy Company Obligation (ECO) (including Local Authority Flexibility under ECO3), or alternatively, the successor scheme to ECO;
    - ii. Nest (in Wales only); or
    - iii. the Home Energy Efficiency Programmes (HEEPs) (in Scotland only); or
  - b) in fuel poverty, based on the latest definition/indicator for the relevant area. The definition/indicator differs for England, Wales and Scotland.<sup>1</sup>

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<sup>1</sup> Latest definitions for fuel poverty can be found below:

For England - [https://www.gov.uk/government/collections/fuel-poverty-statistics#:~:text=Fuel%20poverty%20in%20England%20is,High%20Costs%20\(%20LIHC%20\)%20indicator.&text=they%20have%20required%20fuel%20costs,below%20the%20official%20poverty%20line](https://www.gov.uk/government/collections/fuel-poverty-statistics#:~:text=Fuel%20poverty%20in%20England%20is,High%20Costs%20(%20LIHC%20)%20indicator.&text=they%20have%20required%20fuel%20costs,below%20the%20official%20poverty%20line)  
For Wales - <https://gov.wales/fuel-poverty-estimates-wales>  
For Scotland - <https://www.gov.scot/policies/home-energy-and-fuel-poverty/fuel-poverty/>

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Criterion 2:

2.5. The householder/tenant must:

- a) receive at least one means tested benefit; and
- b) satisfy at least one of the following conditions:
  - i. subject to paragraph 2.6, occupy a property that has an Energy Performance Certificate (EPC) in band E, F or G;
  - ii. subject to paragraph 2.6, occupy a property that has an EPC in band D and has either solid walls, system built walls, non standard cavity walls; and/or
  - iii. be over the age of 70.

2.6. In order to satisfy conditions b) i. and/or b) ii. the occupied property must be the property that receives the FPNES connection.

Criterion 3

2.7. The householder/tenant must :

- a) receive at least one means tested benefit and at least one of the following:
  - i. Disability Living Allowance (DLA);
  - ii. Personal Independence Payment (PIP); or
  - iii. Attendance Allowance; and
- b) occupy a property with an EPC in Band D or below and have a health condition made worse by living in a cold home, such as a chronic respiratory condition, cardiovascular condition, musculoskeletal illness or mental health condition.

2.8. Where this criterion applies, the occupied property must be the property that receives the FPNES Connection.

### **FPNES flex mechanism**

- 2.9. In the circumstances described in 2.10 to 2.12 a householder/tenant that would not otherwise be eligible to receive an FPNES Connection may do so under the FPNES flex mechanism, if associated with a household receiving an FPNES connection. This applies to short mains extensions and not one-off services.
- 2.10. At least 50% of the homes connected through the FPNES flex mechanism must be eligible under the criteria set out in paragraphs 2.4 to 2.8.
- 2.11. Properties within the scope of the FPNES flex mechanism must be existing domestic properties of a similar build and with an EPC similar to the EPC applicable to the associated household and must either be:
- a) in the same terrace or immediately adjacent<sup>2</sup>;
  - b) in the same cul-de-sac; or
  - c) in the same Multiple Occupancy Building (MOB) or immediately adjacent.
- 2.12. No more than 25% of the GDN's RIIO-GD2 FPNES Connection Target over the RIIO-GD2 period can result from households that received an FPNES Connection through the FPNES flex mechanism that would not otherwise be eligible to receive an FPNES connection. <sup>3</sup>

### **Other requirements**

- 2.13. The GDN or its fuel poor Partner Organisation, must meet the following requirements before connecting a customer through the FPNES.

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<sup>2</sup> Immediately adjacent buildings are buildings that do not physically join but are separated by an alleyway, footpath, side garden or fence, for example. Roads that contain terrace houses only, but are separated by a road on which motorised vehicles travel are not considered adjacent, although if the alleyway is used by motorised vehicles for parking purposes only, then this would be allowed.

<sup>3</sup> For example, if a FPNES flex application included 10 properties, 5 of which qualified under the FPNES eligibility criteria (2.4 - 2.8), and 5 that did not, the 5 properties that would not usually qualify would count towards no more than 25% of the GDN's RIIO-GD2 FPNES Connection Target.



*Intention to install gas fuelled appliances*

2.14. The GDN, or its fuel poor Partner Organisation, must ensure that there is an intention on the part of the householder/landlord to install gas fuelled appliances, including first time central heating, within:

- a) 1 year of the gas connection being agreed, if it is a one-off connection to a single household; or
- b) 2 years of the gas connection being agreed, if it is a community connection, where more than one household is receiving a gas connection.

*Requirement to assess whether gas is the best solution*

2.15. The GDN, or its fuel poor Partner Organisation, must also help the customer assess whether gas is the best solution for the householder/tenant. Before proceeding with an FPNES Connection the GDN or its fuel poor Partner Organisation must:

- a) explain the home improvements checker tool on the Simple Energy Advice website,<sup>4</sup> the result of applying the home improvements checker tool and any information provided about financial help for the suggested improvements; and
- b) ensure the customer has understood:
  - i. the results of the assessment outlined in paragraph 2.15, and
  - ii. any potential costs and charges associated with the FPNES Connection<sup>5</sup> to enable the customer to make an informed choice.

*Provision of information to the customer*

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<sup>4</sup> <https://www.simpleenergyadvice.org.uk/>

<sup>5</sup> Including standing charges that may be incurred before gas fuelled appliances are installed.

2.16. The GDN, or its fuel poor Partner Organisation, must inform the householder/tenant receiving the FPNES Connection about:

- a) the Priority Services Register (PSR), where the customer may be eligible;
- b) the dangers of carbon monoxide (CO) and the need to have all gas appliances serviced and checked regularly by a Gas Safe Registered engineer;
- c) sources from which the customer may obtain additional and impartial information or assistance about improving the energy efficiency of its property (including through government funding) and income maximisation where this could lead to FPNES eligibility;
- d) any appropriate additional sources of help and information, including from independent and impartial sources, help-lines, websites and other appropriate organisations able to offer assistance; and
- e) other government schemes from which the customer may be eligible to receive support.

### 3. The FPNES voucher

- 3.1. Eligible households are provided with a FPNES voucher which reflects the amount of assistance the household can receive through the scheme. The value of the voucher must be assessed and the voucher issued by a GDN's fuel poor Partner Organisation.
- 3.2. The value of the voucher is calculated based upon the Net Present Value (NPV) of the transportation income that the new connection will attract over the lifetime of the asset (45 years).
- 3.3. The maximum value of the voucher that a GDN can apply to a new gas connection is calculated on a Local Distribution Zone (LDZ) basis (a GDN may have several LDZs with different transportation charges).
- 3.4. If the value of the voucher exceeds the cost of the FPNES Connection this shall not be used to provide other assistance, including funding any shortfalls in support for in-house works.
- 3.5. To ensure consistency in the calculation of the voucher value, Ofgem has published a standardised voucher calculator, which GDNs must use. The calculator provides guidance on the inputs GDNs should use when calculating the NPV of future transportation revenues (see Appendix A).
- 3.6. Ofgem requires GDNs to use the medium Typical Domestic Consumption Value (TDCV), published by us periodically, as the average source of gas consumption in the fuel poor voucher calculation for the premises.

#### **Utility Infrastructure Providers (UIPs)**

- 3.7. To ensure competition in the gas connections market, GDNs may adopt connections made by third party UIPs and provide a discount in the same way as for eligible householders/tenants under the FPNES as though it was connecting the properties directly. The adopted FPNES Connection then counts towards the GDN's FPNES Connection Target.

- 3.8. Where a GDN provides a discount for a UIP connection through the FPNES, it must be satisfied that the UIP has assessed that the requirements set out in Chapter 2 have been met.

### **Independent Gas Transporter (IGT) Networks**

- 3.9. IGTs may offset the cost of the connection with a contribution received from GDNs. The IGT connection then counts towards the GDN's FPNES Connection Target. Where a GDN contributes to an IGT connection through the FPNES, it must be satisfied that the IGT has assessed that the requirements set out in Chapter 2 have been met.
- 3.10. GDNs shall pay a contribution to the IGT towards the costs of the connection. Details of how much GDNs will contribute to fuel poor connections on IGT networks can be found in each GDN's 4B statement.<sup>6</sup> This shall be used by the IGT to discount the cost of the connection for eligible householders/tenants.

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<sup>6</sup> Where GDNs work out charges for services specified in SLC 4B of the Gas Transporter Licence. These can be found on company websites.

## 4. Partnership Approval Process

- 4.1. A GDN must work with fuel poor Partner Organisations to ensure FPNES vouchers are awarded to eligible households.
- 4.2. Before working with a partner, GDNs must ascertain that the prospective Partner Organisation:
  - a) provides and/or facilitates funding for in-house works, for example procuring funding for in-house works by contacting suppliers of other schemes;
  - b) has screening processes in place which use the FPNES eligibility criteria in paragraphs 2.4 to 2.8 to identify householders/tenants eligible for connections funded through the FPNES; and
  - c) ensures that a gas connection is the best solution for the householder/tenant by taking the steps described in paragraph 2.15.
- 4.3. GDNs must satisfy themselves that a prospective partner satisfies the requirements set out in paragraph 4.2. Evidence of such assurance will be provided in the partnership questionnaire, which must be completed by GDNs and, as a minimum, include satisfactory answers to the questions set out in Appendix B.
- 4.4. The GDNs must keep a record of the partnership questionnaires it completes in relation to its fuel poor Partner Organisations, and must provide a copy to Ofgem if requested.

## 5. Glossary

### **FPNES Connection**

A connection made through the Fuel Poor Network Extension Scheme.

### **FPNES Licence Condition**

Special Condition 3.14 (Fuel Poor Network Extension Scheme volume driver) of the GDNs' Gas Transporter licence.

### **Fuel Poor Network Extension Scheme**

The scheme that incentivises the GDNs to connect eligible off-gas fuel poor households to its network eligible to receive a fuel poor voucher in accordance with the guidance set out in the connection charging methodology statement issued under Standard Condition 4B (Connection Charging Methodology).

### **Multiple Occupancy Building (MOB)**

Has the meaning given in Special Condition 1.1. At the time of publishing this Governance Document this was:

means buildings containing a minimum of three individual premises, each with a separate supply point and supplied via an internal or external riser, and where at least one of those premises is more than two floors above ground level. The premises may be domestic, non-domestic, or a combination of the two. Buildings where all premises on the third floor or above are supplied through individual pipes, with the meter and emergency control valve located at a lower level, are not included. MOBs are categorised as medium-rise (3 – 5 floors), high-rise (6 – 9 floors) or high risk (10+ floors).

### **Partner Organisation**

Works with the GDN to deliver the Fuel Poor Network Extension Scheme. The Partner Organisation is usually responsible for identifying the household that is eligible for assistance under the scheme.

## Appendix B – Partnership Approval Questions

- 1.1. The partnership questionnaires used by the GDNs to assess the suitability fuel poor Partner Organisations must at a minimum include satisfactory answers to the following questions:
1. Please provide details of how the Partner Organisation will provide and/or source funding for in-house works.
  2. Please provide details of how the Partner Organisation will identify eligible householders/tenants.
  3. Please provide details of how the Partner Organisation will, where appropriate, refer the customer to independent advice and funding sources.
  4. Please provide details of how the GDN will ensure that the Partner Organisation is appropriately funded.
  5. On the data collected, can you elaborate on what the Partner Organisation will be asking for from customers?
  6. Records must be retained, how is the Partner Organisation planning to do this?
  7. What processes does the Partner Organisation have in place to ensure that vulnerable households are treated in a fair manner?