



Committee on Fuel Poverty

Samuel Taylor
Ofgem
9 Millbank
London SW1P 3GE

21st March 2017

Dear Samuel,

Response to: Fuel Poor Network Extension Scheme (FPNES): Update to the eligibility criteria due to changes to the Energy Company Obligation (ECO) – Ofgem open letter dated 10th March 2017

I am responding as Chairman of the Committee on Fuel Poverty (CFP) to Ofgem's open letter of 10th March about proposals to update eligibility criteria for the FPNES to reflect changes recently announced to ECO criteria. The CFP wishes to make the following observations and suggestions.

At the launch of the Government's Fuel Poverty Strategy (March 2015), the Secretary of State was quoted as saying "A major focus is on fuel poverty in non-gas homes". In the strategy the Government commits to:

"work with partners to support the development and proliferation of financing mechanisms that make it easier for fuel poor households to meet the up-front of energy efficiency measures, harnessing innovation funding and maximising activity carried out under any social obligations".

The CFP (and formerly the Fuel Poverty Advisory Group) has been encouraged by progress in this key area of government policy, and through its 'off-gas grid advisory group' has supported a number of pilot schemes that are being developed which unlock alternative streams of funding and where appropriate blend private and public sector finance. These pilot schemes have the potential to deliver significant investment opportunities to this vulnerable sector of our community. We believe that a coordinated industry approach provides a 'model' that is replicable, scalable and commercially viable. To enable it to succeed it needs a stable regulatory environment where partners can make key strategic investment decisions for the benefit of fuel poor off-gas grid customers.

In principle, we agree that where practicable (and appropriate) industry energy efficiency schemes should be aligned and supported by the use of appropriate proxies to aid fuel poverty targeting. We are therefore directionally in favour of the intent behind Ofgem's proposal. We do, however, have some concerns that no clear evidence has been presented to show how the proposed change will ensure that the FPNES will as a consequence be better targeted on households in fuel poverty and, among this population, those who are in most need of support. We would therefore like to see your Impact Assessment to better understand the advantage you see for the 'off gas grid' customers. If an Impact Assessment has not been carried out, or if it cannot be evidenced that these changes will have an

immediate and positive impact for fuel poverty, we suggest pausing and validating the new programme before implementing any changes to ensure that the benefits of changes are demonstrably clear.

A further concern is that the proposed change gives suppliers little notice of a potentially significant change and it will therefore disrupt worthwhile plans already in place. Through the CFP's 'off-gas grid advisory group' we have sought views from key stakeholders who estimate that only 25% of those properties currently captured by the 'Lower Layer Super Output Areas' criteria would qualify under the new ECO2t criteria. We understand that long term plans are in place between Gas Distribution Networks and Local Authorities / Registered Social Landlords to extend gas networks and install new heating systems to several thousand properties over the next 3 to 5 years and we've been advised that if your proposed changes are implemented it will severely impact on the progress of these schemes. It would be helpful to know what the impacts of the proposals will be on such plans, and whether there is scope for some of them to be allowed for as a 'transition' under the new criteria.

Regards,

A handwritten signature in black ink that reads "D.R. Blakemore". The signature is written in a cursive style with a large initial 'D'.

David R Blakemore

Chair, Committee on Fuel Poverty

Members: Dr Alice Maynard CBE DBA C Dir, Jenny Saunders, OBE, Paul Massara, Lawrence Slade