

All interested parties and
stakeholders

Email: Geoffrey.Randall@ofgem.gov.uk
Date: 31 March 2017

Dear Colleague,

Next steps on proposed update to the eligibility criteria of the Fuel Poor Network Extension Scheme due to changes to the Energy Company Obligation (ECO)

On 10 March 2017 we published a letter¹ that set out a proposed change to the eligibility criteria for the Fuel Poor Network Extension Scheme (FPNES).

We received several responses to our March letter, which are briefly summarised below and published alongside the March letter. Given the responses, we have determined that we need more time to consider the impacts of the change. Therefore, we don't plan to implement the proposed criteria change now, and the existing criteria will remain in place until further notice. In due course, once we have considered the matter further, we plan to set out further thoughts on potential changes to the criteria.

Background

The FPNES helps fuel poor households that are off the gas grid switch to natural gas (which is often the most cost-effective fuel for heating) by offering funding towards the cost of connecting to the gas network. To get a gas connection under the FPNES, a household needs to meet the eligibility criteria.² The criteria reflect commonly used proxies of fuel poverty or criteria employed by related measures and schemes. This helps to ensure the the FPNES is consistent with government policy and that the households that benefit from the FPNES are more likely to also benefit from related assistance.

A number of the FPNES criteria are related to the government's Energy Company Obligation (ECO) scheme. In our March letter we proposed to update the eligibility criteria to take account of the recent government changes to ECO.³ Our main proposal was to remove the ability for households to qualify for FPNES if they reside within the 25% most deprived areas, as measured by the government's Index of Multiple Deprivation (the geographic criterion). This FPNES criterion reflects the eligibility for the Carbon Saving Community Obligation (CSCO) element of ECO, which is being removed as of 1 April 2017.

¹ <https://www.ofgem.gov.uk/publications-and-updates/fuel-poor-network-extension-scheme-update-eligibility-criteria-due-changes-eco>

² As set out in [Appendix 5, March 2015 Key findings of Fuel Poor Network Extension Scheme Review](#)

³ Set out in the government response, found here - <https://www.gov.uk/government/consultations/energy-company-obligation-eco-help-to-heat>

Summary of responses to our March letter

We received five written responses to our proposal. All respondents supported the intent behind the change to the FPNES. However, there were two main reasons that respondents opposed the change:

- *Effect on meeting connection targets:* All respondents stated that the proposed change would make meeting the fuel poor connection targets very challenging for GDNs. They argue that a large number of households will no longer benefit from the FPNES, because the geographic criterion is currently the main one used. According to the respondents, this criterion enables better engagement with Local Authorities, Housing Associations and private landlords as it gives assurance as to eligibility for the FPNES without the need for direct involvement of tenants.
- *Timeframe for implementation:* All respondents suggested that the proposed timescale for implementation was too short. They noted that this would be a large change in operational practice for the GDNs and their delivery partners. It was also noted that there are a number of connections under development which would not be completed prior to 1 April 2017, and therefore work undertaken to date would be lost if the criteria changed now.

Next steps

Having considered the responses, we are not implementing the proposed change at this time.

We continue to consider the following principles to be important in relation to the proposed criteria change:

- that the FPNES should be effectively targeted at households that are fuel poor
- that the FPNES criteria should align with the criteria for relevant government schemes.

To ensure the FPNES criteria continue to most effectively meet these principles, we intend to take more time to consider the points raised by respondents and expect to set out our views on any future changes to the FPNES criteria in due course.

Yours faithfully,



Geoffrey Randall
Associate Partner, RIIO Gas Networks