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Dear Geoff,

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

Thank you for the opportunity to comment on this proposal. We feel passionate about the FPNES scheme and appreciate Ofgem's intentions to maximise its benefits, but unfortunately the removal of LSOA 25% criteria is likely to have completely the opposite effect.

In principle we support the use of appropriate proxies to aid fuel poverty targeting as well as reflecting criteria employed by related schemes to encourage joined up working. It's essential that the correct balance of these elements is maintained to ensure households continue benefitting in full. We recognise that ECO alignment brings future opportunities for whole house solutions. At present, however, it should be recognised that there is currently a disconnect with ECO as full heating systems are not a primary measure for installation yet it is full heating systems that bring the greatest financial benefit to fuel poor customers.

**Link between ECO and FPNES schemes**

We recognise that a link was created between CSCO and the FPNES area eligibility criteria in the 2015 review. This was a new link, off gas homes within deprived areas already had a precedence as a proxy to identify fuel poor homes since the creation of the FPNES.

CSCO has been removed from the ECO scheme. CSCO primarily delivered insulation measures to homes within the 25% most deprived LSOA's and the link made to FPNES for the installation of heating measures has been minimal if at all. BEIS state CSCO has been absorbed within CERO due to:

- Calculated effectiveness deemed not effective in reaching fuel poor households
- Cost more to deliver CSCO than CERO
- CSCO has been more restrictive to deliver than CERO
- CSCO offers no added value when applying a street by street in comparison to CERO

Many of the criticisms made of CSCO do not apply to the FPNES. It is also our understanding that in making the decision on CSCO BEIS did not consider that this would lead to such a marked impact on the FPNES and that those impacts were not considered in the BEIS decision. It's also important to consider the mitigation BEIS has used to help support CSCO removal:

- The loss of CSCO within ECO is contained under continuation of CERO which has no area limitations

- LA flex options
- It will still be possible to apply a street by street approach for ECO via CERO
- CSCO and CERO mainly deliver the same insulation measures
- CSCO ensured a minimum level of activity was undertaken within the 25% most deprived areas, these areas are generally more challenging, but BEIS is allowing ECO the freedom to target all areas

It should be possible to reconsider the decision on removing the LSOA 25% criteria in the wider context of changes to the whole ECO package and the overall objectives of targeting the schemes at the most effective measures.

### **Impact of removing LSOA 25% Criteria**

Removal of the LSOA 25% criteria will undermine the work NGN and our fuel poor partner are undertaking to plan work activity creating a pipeline of supply. A great deal of effort to establish key stakeholders and develop delivery strategies based on LSOA 25% will be considerably damaged. Our fuel poor partner estimates that over 4,000 fuel poor connections with key stakeholders would be put at risk which are either in flight or included in their longer term planning.

The LSOA 25% criteria is the most used eligibility route, of the fuel poor connections completed so far this regulatory year 63% (1,485) have used this criteria. We estimate this will be even higher in future years (c80%) as knowledge and track record of the scheme is attracting a growing number of social landlords and local authorities.

We anticipate the following consequences if the proposal is implemented as suggested:

- Most gas connection schemes (groups of off gas homes) will not be viable without the LSOA 25% criteria route. These schemes usually include local authority and social housing provider involvement and have extended development periods. FPNES has been the primary driver to enable other support assistance. The LSOA 25% eligibility is the crucial enabler and without it many of these schemes will not go ahead. These schemes rely on density and high levels of uptake, relying on HHCRO and LIHC rarely provides the eligibility levels required to make them feasible. Consequently there would be no street by street option of targeting areas within FPNES. At best this would lead to pepper-potting off gas areas.
- There would be a loss of support for landlords who currently install heating, mainly at their costs, who are reliant on understanding the viability of schemes prior to engaging with their tenants. When working with residents to develop schemes experience shows us:
  - Consultation with residents immediately raises expectation a scheme will be delivered
  - Some residents are difficult to get hold of in order to carry out assessments
  - Many residents will not share their personal information to be able to undertake an assessment for HHCRO or LIHC
  - Tenants don't always have the information themselves to conclude an assessment
  - General disconnection with the process by tenants – it is seen as the landlord's responsibility to sort out gas connections.
- The ability of GDN's and Fuel Poor partners to predominantly work with others when seeking funding for in-house works linked to the FPNES would be significantly diminished. The LSOA 25% criteria is a positive enabler in helping to target activity through the linking of data in order to consider area based approaches. Using the LSOA data and proximity to the gas network has enabled the identification of target areas to focus community level support. Schemes being supported by 'behavioural change', education and wider community support.

Overall, we estimate the impact of the change will reduce the amount of fuel poor connections we can make by c50%.

### **Implementation Issues**

We sincerely hope that Ofgem reconsiders this decision and does not go-ahead with the proposed removal of 25% LSOA criteria. If Ofgem does, however, decide to continue down this path then we strongly urge that a much longer timeframe for implementation is put in place. This will allow us to complete inflight works and manage stakeholder and customer expectations in a much more controlled manner. It is not possible to implement this change by 1 April 2017 from both a practical and regulatory perspective.

This would also allow us to discuss rebasing of the output target and the linked price control funding associated with the scheme.

### **General**

As a business we are proud of the work we do on fuel poverty as this makes a real difference to people's lives. At the 2015 review we committed to do more work and it would be deeply disappointing if we had to scale back these plans. We urge Ofgem to reconsider its plans to implement this change.

Please do not hesitate to contact myself or Tom Bell if you wish to discuss any aspect of our response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Stephen Parker', with a small flourish at the end.

**Stephen Parker**  
**Regulation Director**