

Consultation on Potential Change to the Fuel Poor Network Extension Scheme (FPNES) – 7 September 2017

Communitas Energy CIC (Fuel Poor Partner) response

Question 1: *Do you agree with our proposed approach for the FPNES? Please state why or why not.*

Answer: No.

We consider the proposal to remove the LSOA25 criteria, from the FPNES, to be insufficiently justified. The consultation paper appears to disregard the magnitude of the impact the changes will create. We expect the change to be debilitating for the scheme, which is broadly on target to deliver, and will lead to many fuel poor and vulnerable customers missing out.

They should align with the criteria for relevant government schemes (primary stated reason); FPNES criteria already aligns with ECO, removing LSOA from FPNES will not improve their relationship. Unfortunately, there is a feeling of disconnect between FPNES and ECO, but we don't consider this to be criteria alignment related and is more likely to be due to the incentives placed on ECO delivered measures.

The FPNES should be effectively targeted at fuel poor households (primary stated reason);

- No further evidence has been presented for consideration to rationalise LSOA removal, following the previous inconclusive open letter/consultation
- Homes assisted and measures undertaken under FPNES are very different to those measured by the evidence presented through ECO delivery
- IMD is still used by other government departments¹ to help focus funding and assistance to those most in need and in concentrated pockets of deprivation

Likely to be poorer value for money for energy customers;

- There hasn't been an impact calculation published to evidence this statement

Industry is unanimously against the proposal, as shown in the responses to the March open letter.

Question 2: *Are there any consequences that we have not appropriately considered in our proposal?*

Answer: Yes.

IMD is the only proxy criteria available to ensure all households qualify for FPNES, thereby enabling connections to progress.

Updates to the ECO criteria stated as a benefit to the FPNES scheme fall a long way short of the loss of LSOA25 criteria. These are our findings of each:

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/465791/English_Indices_of_Deprivation_2015_-_Statistical_Release.pdf

- EPC E, F and G;
 - Homes within the same estates will have varying scores. For example the difference between a ground floor flat and a top floor flat have been D and E respectively
 - Excludes private homes
- Flexible Eligibility;
 - At the NEA conference September 2017 only 42 local authorities nationally had submitted declarations, this equates to only 4 within the Northern Gas Networks area
 - Excludes social homes
- Low Income High Cost national calculation methodology use for individual assessment is also a cause for concern;
 - Small homes cannot be High Cost as the methodology takes the average energy cost of all homes (all homes within the English House Condition Survey) which is a larger average than what small homes are capable of reaching, almost regardless of their heating or insulation situation
 - Equivalisation of incomes, used in the methodology, is incorrectly removing single households from Low Income definition. In our view, this is simply wrong leading to erroneous conclusions. It would only make sense if the fuel costs were also equivalised in which case, of course, the answer is the same as equivalising neither

Removing LSOA25, and relying on the remaining criteria, will at best lead to pepper potting and discontent within neighbourhoods. Ultimately fuel poor and vulnerable residents within these locations will end up missing out. But many more fuel poor and vulnerable residents will miss out where a minimum number of eligible connections are required to establish a scheme, in this instance all residents in these locations will miss out.

Question 3: *Is there any other evidence we should consider in making our decision? If so, please provide it.*

Answer: Yes.

Deprived areas measured by IMD combined with off gas households remains a good proxy for fuel poverty. In 2006 the Department of Trade and Industry (DTI) co-funded activity to tackle fuel poverty within these precise locations, this activity was a major catalyst for the establishment of the FPNES. The DTI provided the funding for deprived off gas areas at this time as research found other national energy efficiency and fuel poverty schemes were not effective in delivery within these more difficult to treat locations and as a result some of the most fuel poor homes missing out.

References:

- http://www.nea.org.uk/wp-content/uploads/2017/02/In-From-The-Cold_ECO-Funding-Gap-Paper_Final-1.pdf
- On and off gas grid – Hills Report Table 3.3; “being off the gas grid also drives high costs, with an average fuel poverty gap for such dwellings of £705. Those properties that are both off the gas grid and in rural areas face some of the highest fuel poverty gaps of all, at nearly £800”

- Department for Communities and Local Government state² they have used IMD for the following purposes:
 - Index of Multiple Deprivation 2010 was used in conjunction with other data to distribute £448m
 - Developing the evidence base for a range of national and local policies and strategies
 - Frequent use in funding bids, including bids made by councillors for their neighbourhoods, and from voluntary and community sector groups.

The most or highly deprived communities are commonly taken at 20% from the IMD continuous scale of deprivation. In fact, deprived neighbourhoods in England face multiple issues, being highly deprived in at least five or more of the seven domains measured from 27% the IMD continuous scale of deprivation. These figures, with the additional aspect of being off gas, back up the justification for continuing with the LSOA25 criteria.

It is our view that the evidence cited in the consultation to justify the removal of LSOA25, Governments Response to ECO, is not relevant to the FPNES on the basis that activity was framed firmly within gas heated homes.

Statements referencing “value for money” in support of the proposed changes should be retracted or appropriately evidenced in the Impact Assessment Form.

Question 4: *Do you consider 1 April 2018 to be an achievable timescale for the eligibility criteria to change?*

Answer: No.

Please see the answer to question 6.

Question 5:

Do you consider a transition period to be appropriate?

Answer: Depend on the transition arrangements.

Please see the answer to question 6.

If so, do you agree with our proposed timescale?

Answer: No.

Please see the answer to question 6.

²https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/465791/English_Indices_of_Deprivation_2015_-_Statistical_Release.pdf

Question 6: *Are there any other transition elements we should consider?*

Answer: Yes.

Any transitional arrangements should be considered alongside the continuation of LSOA25, which should remain for the full duration of RIIO-1. This will ensure the scheme remains effective and allows the GDN's a chance of hitting their target number of connections.

Ofgem should task the GDNs with evidencing the effectiveness of the current criteria (LSOA25, HHCRO and LIHC), against an agreed model, which would test targeting of fuel poor and vulnerable homes and ultimately answer Ofgem's fundamental concern. The findings from this research should be used to inform RIIO-2 FPNES criteria.

Equally there has been no evidence presented by Ofgem that can confirm the eligibility changes proposed will be any more effective at targeting fuel poor homes, such as low EPC scores and local authority flex as per ECO2t criteria.

Lee Cattermole | Communitas Energy CIC | lee.cattermole@ce-cic.or.uk | 07812 586474