

Geoff Randall
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2 November 2017

Dear Geoff,

Consultation on potential change to the Fuel Poor Network Extension Scheme

Thank you for the opportunity to comment on the latest proposals.

We remain very disappointed that Ofgem has chosen to continue with these changes. As your consultation document acknowledges there is no actual evidence regarding the levels of fuel poverty amongst households not connected to the gas network located in the top 25% most deprived areas. It would be far better to allow us to jointly (Ofgem and GDNs) commission authoritative research so an informed decision can be made before proceeding with this change.

In our region we have a number of local authorities currently bidding for funding under the £150m scheme administered by Affordable Warmth. In a similar way to the DECC central heating fund it would be helpful if schemes which are awarded funding under this fund are deemed eligible under the FPNES scheme. This would demonstrate joined up thinking to the various stakeholders involved.

Responses to the specific questions are in the attached Appendix. Please do not hesitate to contact me if you wish to discuss anything associated with changes to the scheme.

Yours sincerely



Stephen Parker
Regulation Director

APPENDIX

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

No because this will significantly reduce our ability to deliver community based schemes with social landlords consequently far fewer households will be connected under the scheme. The two alternatives quoted for community schemes will not work effectively. Initial feedback from such landlords is that using the EPC ratings will not result in many community schemes meeting this criteria. Only 4 local authorities in our region have made notice of intent for introducing flexible eligibility.

Making a significant change like this so soon after completing an extensive review of the scheme in 2016 (which increased our funding to deliver additional outputs) undermines the credibility of the scheme with external stakeholders.

We would strongly prefer to return the monies awarded and rebase the output targets if these changes proceed rather than wait until the end of RIIO GD1.

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

Discussions over the last 12 months have highlighted the likely consequences.

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

As your consultation document acknowledges there is no actual evidence regarding the levels of fuel poverty amongst households not connected to the gas network in the top 25% IMD areas. It would be far better to allow us to jointly commission authoritative research so an informed decision can be made before proceeding with this change.

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

The timescale is very short after the final decision is made by Ofgem given the procedure we have to follow to amend our Condition 4B statement, the need to change our external facing communications and publications and the need to explain the changes to the various stakeholders. We believe this needs a longer period and would suggest 6 months after the final decision.

Question 5: *Do you consider a transition period to be appropriate? If so, do you agree with our proposed timescale?*

The proposal is that pre 1 April 2018 quotes have until 31 December 2018 to be completed (i.e. a 9 month period). Whilst this period should allow the majority of schemes to be completed we have experienced schemes where third party easement issues or tying up the final in-house work programme has taken the scheme completion beyond this timeframe. We suggest that a reasonable approach would be that any connections qualified by the date the proposed changes take effect should be installed by the end of RIIO-GD1 (March 2021), thus alleviating concerns relating unforeseen delays.

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

Yes. Affordable Warmth have recently announced a £150M fund to be administered over a period of 18 months, with a requirement to complete projects by 2021. One category to be funded is central heating in fuel poor homes receiving a first-time gas connection through the FPNES. Much of these works will be predicated on the assumption that project scale

works to connect multiple households to the gas grid will be feasible. As you are aware, removal of IMD could drastically impact upon the feasibility of such community schemes of this type.

We, and the other GDNs, have worked hard to promote the FPNES scheme and its benefits, and have long been assured by partners that whilst there is an appetite to put more fuel poor homes onto mains gas, lack of available funds for in-house measures (central heating) is a major limiting factor. Having built strong links with local authority partners, who are now rightly enthused by the opportunity to apply for and receive funding through the new fund, it will be hugely disappointing to then fail to deliver projects due to the inability have certainty that all households within a scheme will qualify.

In a similar way to the DECC central heating fund it would therefore be very helpful if schemes which are awarded funding under this fund are deemed eligible under the FPNES scheme. This would demonstrate joined up thinking to the various stakeholders involved.