

Governance

The Fuel Poor Network Extension Scheme (FPNES) Governance Document

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Contact: Rebecca Pickett

Team: RIIO Price Controls, Networks

Email: Rebecca.Pickett@ofgem.gov.uk

Overview:

This document is version 1 of the Fuel Poor Network Extension Scheme (FPNES) Governance Document referred to under Special Condition [3.13] of the Gas Transporter Licence.

This document is a working draft and the content is in line with our Draft Determinations proposals, which is currently under consultation. However our Final Determinations will be published later in the year. We will ensure that the governance document is updated to appropriately reflect our consideration of RIIO-2 Draft Determination responses and our Final Determinations.

It is the responsibility of each Network Licensee to understand the provisions of this Governance Document and how those provisions apply to it.

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10 South Colonnade, Canary Wharf, London, E14 4PU. Alternatively, please call Ofgem on 0207 901 7000.

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1. Introduction

- 1.1. The Fuel Poor Network Extension Scheme (FPNES) is a scheme delivered by the Gas Distribution Networks (GDNs) and Independent Gas Transporters (IGTs) in partnership with other organisations.
- 1.2. The scheme applies to existing domestic properties or planned conversion from a commercial to a domestic property, or the splitting of a single existing domestic property into multiple domestic properties.
- 1.3. The scheme provides funding to eligible households against the cost of connecting to the gas network in the form of a voucher.

The FPNES Governance Document

- 1.4. This document sets out the regulation, governance and administration for the Fuel Poor Network Extension Scheme.
- 1.5. In this document we use the terms, 'Ofgem' and 'the Authority' as well as the terms 'we', 'us' and 'our' interchangeably. Ofgem is the Office of the Gas and Electricity Markets. The Authority is the Gas and Electricity Markets Authority and is the governing body of Ofgem, consisting of non-executive and executive members.

Compliance

- 1.6. Gas Distribution Networks (GDNs) are required by the FPNES Licence Condition to comply with this document as if it formed part of their licence.
- 1.7. This document in no way relieves affected parties, including GDNs and Project Partners, from their responsibility to ensure ongoing compliance with legislation including competition, data protection, environment and consumer protection laws.

Review

- 1.8. Ofgem may from time to time, following consultation with the GDNs and other interested parties, revise this FPNES Governance Document in accordance with the FPNES Licence Condition.

2. Eligibility Criteria

- 2.1. The following eligibility criteria must be met in order for a household to be eligible for a connection via the FPNES.
- 2.2. The FPNES applies only to existing domestic properties, or the splitting of an existing domestic property into multiple domestic properties.
- 2.3. In order to be eligible for the FPNES, except in the case of in-fill, the householder/tenant must meet one or more of the following eligibility criteria:
 - Be eligible for measures under the Home Heating Cost Reduction Obligation (HHCRO) aspect of the Energy Company Obligation (ECO), including Local Authority Flexibility under ECO3; Nest (in Wales only); or the Home Energy Efficiency Programmes (HEEPs) (in Scotland only); or
 - Be in fuel poverty based on the latest definition/indicator for the relevant area. The definition/indicator differs for England, Wales and Scotland.
- 2.4. There must be an intention to install gas fuelled appliances within 2 years of the gas connection being agreed, including first time gas central heating.

FPNES in-fill mechanism

- 2.5. Under the FPNES in-fill mechanism, in specific circumstances a household that would not otherwise be eligible can receive an FPNES connection, if associated with an eligible household receiving an FPNES connection.
- 2.6. At least [50%] of the homes connected through an in-fill scheme would need to be eligible under the criteria set out in paragraph 2.3.
- 2.7. In-fill properties must be existing domestic properties of a similar build and Energy Performance Certificate (EPC) as the household eligible for FPNES and must either be:
 - in the same terrance;
 - in the same cul-de-sac; or
 - in the same Multiple Occupancy Building.

- 2.8. No more than 25% of FPNES connections over the RIIO-GD2 period can come from the FPNES in-fill mechanism.

Requirement to assess whether gas is the best solution

- 2.9. The GDN, or its fuel poor partner organisations, must also assess whether gas is the best solution for the customer. The GDN or its fuel poor partner organisation must explain to the customer what types of connection are available to them, and the analysis undertaken by GDNs and their partner organisations to determine the best solution for the customer. Providing this information will help the customer understand the potential benefits of the solutions being offered to them under the FPNES and reassure them that they will see tangible benefits from it.

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3. Funding Provision

- 3.1. The funding is provided by a voucher which must be assessed and issued by a GDN's fuel poor partner organisation.
- 3.2. The amount of funding is based upon the Net Present Value (NPV) of the transportation income that the new connection will attract over the lifetime of the asset (45 years).
- 3.3. The maximum value of the funding that a GDN can apply to a new gas connection is calculated on an LDZ basis (a GDN may have several LDZs with different transportation charges).
- 3.4. For clarity, where there is a difference between the cost of connection and the maximum value of the voucher this shall not be used to provide other assistance, including funding any shortfalls in support for in-house works.
- 3.5. To ensure consistency in the calculation of the fuel poor voucher, Ofgem has published a standardised voucher calculator which GDNs must use. The calculator provides guidance on the inputs GDNs should use when calculating the NPV of future transportation revenues (see Appendix A).
- 3.6. Ofgem require GDNs to use the medium Typical Domestic Consumption Value (TDCV), published by us periodically, as the source of the gas consumption number. The medium TDCV is the best source of data available to us which most accurately reflects typical household gas consumption. The medium TDCV is currently 12,000kwh.

Utility Infrastructure Providers (UIPs)

- 3.7. To ensure competition in the gas connections market, the GDNs may connect and adopt connections made by third party UIPs and provide funding in the same way for eligible homes as though it was connecting the properties directly.

Independent Gas Transporter (IGT) Networks

- 3.8. GDNs may connect and adopt network extensions built by IGTs. IGTs may offset the cost of the connection with a contribution received from GDNs. With respect to gas transportation, IGTs are able to compete to own/operate a network extension against

GDNs in this market by allowing them to offset the cost of the connection with a contribution received from the GDN.

- 3.9. IGTs shall receive a share of the transportation charges, whilst the GDN shall receive the Connected System Entry Point (CSEP) charges.
- 3.10. GDNs shall pay a contribution to the IGT towards the costs of the fuel poor discount. This amount shall be a proportion of the cost of connection based on its share of the NPV of future transportation revenue. In turn, this shall be used by the IGT to discount the cost of the connection for eligible households.
- 3.11. In a situation in which the cost of connection is less than the NPV of future transportation income, the GDN may add the amount that is equal to its share of the NPV of future transportation income multiplied by the costs of the connection into its Regulatory Asset Value (RAV).

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4. Partnership Approval Process

- 4.1. A GDN must work with fuel poor partner organisations to ensure fuel poor vouchers are awarded to eligible households.
- 4.2. When GDNs have explored the opportunity to work with a partner, they must assess that its fuel poor partner organisation:
 - provides and/or facilitates funding for in-house works, for example procuring funding for in-house works by contacting suppliers of other schemes such as ECO.
 - has screening processes in place which use the Scheme's eligibility criteria to identify households eligible for the FPNES.
 - ensures that a gas connection is the best solution for the consumer. In order to meet this additional criterion, the partner needs to demonstrate that it has the ability to, and will assess, if a gas connection under the FPNES is the best solution to meet the needs of a household that is eligible for the FPNES. This assessment will entail checking if there are other fuel options which would better serve the needs of that household.
- 4.3. GDNs must explicitly confirm that their proposed partner meets the Scheme eligibility criteria. This assurance will be provided when GDNs complete the partnership questionnaire, which must as a minimum include the information set out in Appendix B.
- 4.4. The GDNs must keep a record of the partnership questionnaires it completes for its fuel poor partner organisations, and must provide a copy to Ofgem if requested.

Appendix B – Partnership Approval Questions

1.1. The partnership questionnaires used by the GDNs to assess the eligibility of fuel poor partner organisations must at a minimum include the following information:

1. Please provide details of how the partner organisation will provide and/or source funding for in-house works.
2. Please provide details of how the partner organisation will identify eligible fuel poor households.
3. Please provide details of how the partner organisation will ensure that gas connection is the optimal solution for the fuel poor consumer eligible under the Fuel Poor Network Extension Scheme.
4. Please provide details of how the partner organisation is funded.
5. On the data collected, can you elaborate on what the partner organisation will be asking for from customers?
6. Records must be maintained, how is the partner organisation planning to do this?