



## **About National Energy Action (NEA)**

NEA<sup>1</sup> works across England, Wales, and Northern Ireland to ensure that everyone in the UK<sup>2</sup> can afford to live in a warm, dry home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

## **Background to this response**

In 2012, NEA developed a scoping study with Ofgem to explore how well-placed network companies are to deliver social action cost-effectively and support the alleviation of fuel poverty. Throughout ED1 and GD1, NEA has worked with Ofgem and the network companies to embed many of the recommendations and cultivate several projects which support low income and vulnerable households. Some of the main drivers for NEA's on-going collaborations and recent work with the networks include:

- Ofgem requiring networks and energy suppliers to enhance their work on the Priority Services Register (PSR);
- Requiring energy suppliers and Distribution Network Operators (DNOs) to be proactive in identifying 'need' and act on the stakeholder and collaborative incentives to trial new approaches which have a positive social impact at the same time as proving alternatives to conventional network reinforcement;
- Ensuring exemplar network innovation projects are developed and disseminated fully and encouraging network companies to ensure fuel poor and vulnerable households directly benefit from these innovation competitions and allowances;
- Encouraging the networks to deliver non-network solutions (either themselves or by partnering with others);
- Requiring Gas Distribution Networks (GDNs) to exceed the previous Fuel Poor Network Extension Scheme (FPNES) targets and supporting this activity on the ground;
- Ensuring GDNs provide more consistent advice and support for vulnerable households when they have to disconnect gas supply at properties when the boiler is deemed to be unsafe;
- Undertaking research and practical projects to raise awareness of the risks of Carbon Monoxide (CO) poisoning and acting on the key links between this and the risk of being in fuel poverty.

As well as directly supporting the delivery of ED1 and GD1, NEA has also ensured network companies are playing a key part in the delivery of the UK Government's Fuel Poverty Strategy. Alongside supporting the industries' efforts to develop new interactive mapping solutions for off gas grid homes<sup>3</sup>, NEA also undertook a review of progress toward meeting the 2021 gas connection targets. The report "In from the Cold"<sup>4</sup> underlined the value of First Time Central Heating (FTCH) as a key measure to address fuel poverty<sup>5</sup>. The report also found that at the halfway point, slower progress across England had been made compared to the other GB nations in the delivery of FPNES targets.<sup>6</sup> The constrained funding landscape for in-house measures was identified as a primary reason for this slower progress. This initially prompted the UK Government's £25m Central Heating Fund and the £150 million National Grid Warm Homes Fund. NEA has also championed the need for revisions to the Digital Economy Act to allow local authorities, public sector health bodies and energy network companies to undertake direct data matching process with the Department for Work and Pensions (DWP), independent of licensed gas and electricity suppliers<sup>7</sup>. Finally, NEA has extensively engaged with all four GDNs to help shape their business plans, through stakeholder meetings, workshops, and through NEA staff sitting on two CEGs as independents<sup>8</sup>.

## **Our response**

## The Fuel Poor Network Extension Scheme (FPNES) Governance Document

NEA supports the continuation of the FPNES. In our response to the GD2 SSMC, NEA suggested some minimum standards relating to FPNES delivery. First and foremost, there must be an explicit requirement for the new licence condition to “treat customers fairly” (SSC21) to be passed through to any contractors that are used in the FPNES process. This element of the price control guarantees certain standards for fuel poor and vulnerable households, and should not be lost when GDNs contract with third parties, especially when delivering schemes with the explicit purpose to support vulnerable households

In addition to an explicit reference to SSC21 passing through to contractors, NEA believes that further minimum standards are warranted to guarantee a good service level for fuel poor households receiving a connection:

- Including a minimum standard of the inclusion of energy efficiency advice when completing a connection under the FPNES, like the Smart Meter Installation Code of Practice (SMICOP) arrangements for smart meter installations. At a minimum this should include:
  - The time frames associated with getting a connection;
  - The implications of moving to gas for billing arrangements;
  - Clear information about owning and operating a boiler (How thermostatic radiator valves work, how boiler controls work, information on the benefits of moving to a dual fuel deal);
  - Information about the household’s eligibility for a free gas safety check under ECO.
- Including a minimum standard relating to advice provided when installing a connection through FPNES should also ensure that the customer understands which other schemes they might be eligible for, including:
  - Providing an active referral for the Warm Home Discount;
  - Ensuring that they are on the Priority Services Register;
  - Informing them of further support that could be accessed through ECO<sup>9</sup> so that connected homes can be sufficiently upgraded;
  - Consistent information about the feasibility of gaining a connection, the cost of the connection and, if a gas connection is not appropriate, the alternatives to a connection.

In addition to these requirements of contractors, the guidance must learn from the scheme in RIIO GD1, to ensure that the next 5 years of delivery results in even better outcomes.

One area where this could be done is through better aligning to addressing the health conditions that are linked to living in fuel poverty (see appendix 1 for information on some of these conditions). The project, Connecting Homes for Health<sup>10</sup>, that NEA delivered in conjunction with Northern Gas Networks, found that using health based targeting within the Fuel Poor Network Extension Scheme, households could see a huge change in their lives due to the impact that the extra warmth had on their health conditions.

Specifically, we found that:

<b>Outcomes of the Connecting Homes for Health Project</b>	<b>Before the project</b>	<b>After the Project</b>
Household that rated their physical health as either good or very good.	13.7%	74.4%
Households that rated mental health as good or very good.	37%	78.6%
Households that felt that their health had improved to some extent by the project.	NA	50%
Households that said physical health was affected by cold at home.	83%	7%
Households that said mental health was affected by cold at home	48%	5%
Households that said their ability to cope with existing illness was affected by cold at home	73%	5%

Ofgem should use this learning and allow the integration of health-based criteria into the guidance, in the case that a household has one of the health conditions found in Appendix 1, and has an income below 60% of the national median. This is consistent with the England Fuel Poverty Strategy 2019, which consulted on a new guiding principle related to vulnerability, referring specifically to the health conditions related to living in a cold home. It is also consistent with the legal definition of fuel poverty, as found in the Warm Homes and Energy Conservation Act<sup>11</sup>, “A person is to be regarded as living ‘in fuel poverty’ if he is a member of a household living on a lower income in a home which cannot be kept warm at reasonable cost”. Ofgem must

ensure that schemes are not built around the measurement of fuel poverty (Low income high cost), as this does not capture all that are in it. It must work with the definition and the guiding principles.

NEA is also concerned about several other aspects of the guidance:

- **2 years is too long a wait for gas appliance.** According to the draft guidance, GDNs will need to ensure that boilers are installed within two years of the connection taking place. This seems overly long and has not been clearly justified. Households will expect that a connection will lead to a tangible change in their circumstances, and a 2-year gap between the connection taking place and this happening represents a poor customer journey and will result in low levels of customer satisfaction. NEA believes that 1 year would give GDNs adequate time to find funding for a solution and would result in adequate customer satisfaction for recipients.
- **The guidance is not future proofed.** In its current form, the guidance links the eligibility criteria to schemes that are currently running, namely ECO3, NEST (in Wales) and HEEPS (in Scotland). However, schemes will change over the course of the price control. The Green Homes Grant 'Local Authority Delivery' (GHG-LAD) scheme, for example, will be delivered during the first year of GD2. And the next iteration of ECO, where eligibility criteria may change, will likely start during the second year of GD2. The Government, in both the Conservative Party manifesto 2019<sup>12</sup>, and in the first Queen's Speech<sup>13</sup> of the current parliament, has outlined two further schemes that will likely become available during GD2, in the form of the Home Upgrade Grant Scheme and Social Housing Decarbonisation Fund. And lastly, there are a significant number of local schemes<sup>14</sup>, with different eligibility criteria, but focussing on fuel poor households. The guidance does not address any of this, making it harder for GDN's to successfully deliver the top end of their targets. Ofgem must reconsider the eligibility criteria so that the scheme can work alongside all other fuel poverty schemes, both available now and in the future.
- **The voucher value must have some element of flexibility.** In our project "Connecting Homes For Health"<sup>15</sup>, we found that that changes to a GDN pricing structure mid-way through the price control meant that homes that would have had their FPNES costs fully covered at the beginning of GD1, may not have these covered towards the end. This is clearly not a fair outcome; it could mean that the feasibility of a connection could change from one day to the next, all during the same price control. The voucher level must be flexible enough to deal with this. Alternatively, Ofgem could give direction that changes in pricing structure in this way would not be compatible with the new licence condition to treat customers fairly (SSC21).
- **The relaxing of the guidance has not been linked to increased targets.** The changes that have been made to eligibility via the in-fill mechanism will make it easier for GDN's to meet the targets, however to date there has been no mention from GDNs of an intention to subsequently increase their FPNES targets. Ofgem must in make reference to this in its final determinations, increasing the lower bound of the targets

## **Gas Network Vulnerability and Carbon Monoxide Allowance (VCMA) Governance Document**

As NEA argued in its response to the GD1 Draft Determinations, we believe first and foremost that funding for work to address consumer vulnerability within the price control will need to be increased in order to reflect the change in financial situation of households up and down the country as a result of the COVID-19 pandemic.

While Ofgem has worked quickly to ensure that its work packages have been fit for purpose in a pandemic world, including prioritising work on extending the prepayment meter price cap and rolling out new protections for households that self-disconnect, the decisions on draft determinations seem to have made no consideration on the impact that Covid-19 has had on society. Incomes have fallen, and energy use has increased. The pandemic has led to the single biggest hit on our economy for 41 years<sup>16</sup>. It is expected that the affordability of energy will become much harder for many more people over the coming years. The impact from coronavirus on household situations has been significant. It has been, and will continue to be, more material than the impact of decarbonisation for the period of the GD2 price control. Furthermore, we have seen evidence that customer views have changed as a result of the crisis, with bill payers, in general, willing to allow companies to use more of their bill money to help the most vulnerable in society.

NEA proposed that this could be rectified increasing the UiLiA, potentially through a reopener. Ofgem could also choose to increase the size of the allowance now, in order to give an early signal of the intention to take addressing vulnerability more seriously in this price control.

In addition to this, NEA has several other suggestions to improve the drafting:

- **Integration of the new vulnerability licence condition.** The licence condition to treat customers fairly (SSC21) must be translated onto the partners that GDNs work with, especially where partners are helping deliver schemes to address consumer vulnerability. This is a crucial element of the price control and must not be lost when work is delivered through a third party.
- **Consideration of the Eligibility of Projects.** Ofgem must be clear about the eligibility of different types of projects within the allowance guidance in order to give GDNs sufficient confidence to take projects forward. In particular, we would like to see:
  - Clarity on the eligibility of boiler replacement schemes. Several GDNs have run successful boiler replacement schemes during GD1. These have been vital in providing essential help to some of the poorest households during and before winter, so that they can afford to keep warm. The value of these schemes has been recognised by GDNs and their customers, leading to several proposals to continue these projects through bespoke ODIs in GD2. Ofgem must be clear about whether these schemes would be allowed using this allowance. It is not enough to simply state that they are not allowed because funding is available elsewhere because this funding (through ECO 3) is both capped and time limited within the temporal bounds of the price control.
  - Clarity that while there is funding for energy efficiency advice, debt advice, income advice, and presumably other types of service elsewhere, if this funding is limited and demand is larger than supply, they are permitted under the allowance.
- **Ensuring sufficient focus on vulnerability.** Within the current guidance, there is scope for GDNs to severely limit their work to address consumer vulnerability. To remedy this, we propose
  - A requirement to ensure that projects to address carbon monoxide are well targeted, helping vulnerable households to understand and mitigate the risks.
  - A cap for CO projects to ensure that a reasonable proportion of the allowance is spent on addressing consumer vulnerability. NEA believes that the guidance allows 100% of the allowance to be spent on CO awareness campaigns, which would be an unacceptable outcome.

## Appendix 1 – Health Conditions Related to Living in a Cold Home

<p><b>Respiratory disease</b></p>	<p>With each 1°C drop in temperature below 5°C, GP consultations for respiratory illness in older people increase by 19%. Hospital admissions for Chronic Obstructive Pulmonary Disease (COPD) are four times more likely to happen over the winter.</p> <p>Homes which have damp or mould have been linked with a 30-50% increase in respiratory problems (with asthma sufferers two to three times more likely to live in a damp home than non-sufferers).</p> <p>Children living in cold homes are more than twice as likely to suffer from asthma or bronchitis as children that do not (those in damp and mouldy homes are three times more likely). They have a 32% greater risk of wheezing illness and 97% greater risk of suffering from breathing problems at night.</p>
<p><b>Cardiovascular disease</b></p>	<p>It has been estimated that 9% of hypertension in Scotland could be prevented by maintaining indoor temperatures above 18°C.</p> <p>Increased plasma fibrinogen levels and factor VII clotting during winter account for a 15% and 9% rise in coronary heart disease, respectively.</p> <p>A 1°C drop in living room temperature can lead to a 1.3mm Hg rise in systolic blood pressure and a 0.6mmHg rise in diastolic blood pressure in people aged 65-74.</p>
<p><b>Mental ill health</b></p>	<p>Living in a cold home can lead to social isolation, stress and worry. NATCEN found that 10% of people suffering from a Common Mental Disorder (CMD) were not able to keep their homes warm enough during the winter and 15% reported mould in their homes (compared with 3% and 8% of people without CMD).</p> <p>Children living in poor quality cold housing are more like to suffer from mental ill health. It can impact upon child motivation, educational attainment and task persistence, as well as resulting in feelings of helplessness.</p> <p>NATCEN found that 28% of young people living in cold homes manifested multiple mental health risks, as opposed to 4% for those living in warm homes. Inadequately heated homes were independently shown to be the only housing quality indicator associated with 4 or more negative mental health outcomes in young people.</p>
<p><b>Other health conditions</b></p>	<p><u>Sickle Cell Disease (SCD)</u></p> <p>Comfortable temperatures for someone with SCD range from 20°C to 30°C, though those on low incomes may struggle to afford to meet the cost of maintaining a healthy temperature at home. A hospital admission for SCD can cost £637- £11,367 a time, and some have argued that part or fully subsidising the heating bills of SCD sufferers would be more cost effective to the NHS.</p> <p><u>Falls</u></p> <p>Cold homes can be linked to the experience of aches, pains, underlying joint and muscular problems or skin conditions, or arthritic and rheumatic pain (increasing the risk of falls and accidents amongst the elderly by reducing strength and dexterity).</p> <p><u>Nutrition</u></p> <p>Cutting back on food spending to meet the cost of paying for energy can lead to malnutrition, poor infant weight gain, and adverse impacts upon other health conditions such as tuberculosis (TB) or diabetes.</p>

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<sup>1</sup> For more information visit: [www.nea.org.uk](http://www.nea.org.uk).

<sup>2</sup> NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

<sup>3</sup> For more info see: <https://www.nongasmap.org.uk/>.

<sup>4</sup> In from the Cold: The funding gap for non-gas fuel poor homes under ECO and a proposal to fill it, NEA, February 2017

<sup>5</sup> The report noted that because those off the gas network are more reliant on expensive fuels such as electricity, fuel poor households off the gas grid experience average fuel poverty gaps that are double those of on-gas fuel poor. Since then, the latest fuel poverty statistics highlight the same pressing gap, (on gas fuel poor have average gaps of £296 vs off-gas £607).

<sup>6</sup> NEA. 2017. In From The Cold: The Funding Gap for Non-gas Fuel Poor Homes under ECO and a Proposal to Fill it. Available: [http://www.nea.org.uk/wp-content/uploads/2017/02/In-From-The-Cold\\_ECO-Funding-Gap-Paper\\_Final-1.pdf](http://www.nea.org.uk/wp-content/uploads/2017/02/In-From-The-Cold_ECO-Funding-Gap-Paper_Final-1.pdf).

<sup>7</sup> At present it is not possible for these key groups to do this without being subject to the enhanced General Data Protection Regulations or a time consuming appraisal of the household's circumstances and securing individual 'opt in' consent.

<sup>8</sup> NEA's Chief Executive Adam Scorer sits on the Wales and West CEG whilst Policy Manager Matthew Copeland sits on the Cadent CEG.

<sup>9</sup> The GDN would need to check whether the household is eligible and the supplier should have to install measures within a certain timeframe

<sup>10</sup> For the final report of Connecting Homes for Health, please visit <https://www.nea.org.uk/wp-content/uploads/2020/06/Connecting-Homes-for-Health-Final-Report-FINAL.pdf>

<sup>11</sup> <https://www.legislation.gov.uk/ukpga/2000/31/section/1>

<sup>12</sup> The Conservative Manifesto contained welcome proposals for a new £2.5bn Home Upgrade Grant Scheme (HUGs) deliberately targeting fuel poor homes in the least efficient homes alongside a £3.8bn Social Housing Decarbonisation Fund. The notes in the manifesto relating to HUGs state that the £2.5 billion Home Upgrade Grants will replace boilers, provide insulation and in some cases replace energy systems wholesale. 200,000 homes will be upgraded, providing an average annual saving of £750 a year. It will cover costs up to £12,000 and apply to fuel poor households with poor energy efficiency. For further information visit: <https://vote.conservatives.com/news/our-manifesto-gets-brexite-done-and-unleashes-the-potential-of-the-whole-country>.

<sup>13</sup> The commitments in the Conservative Party manifesto were reaffirmed in the Queen's Speech on the 19th December 2019. For further information visit: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/853886/Queen\\_s\\_Speech\\_December\\_2019\\_-\\_background\\_briefing\\_notes.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853886/Queen_s_Speech_December_2019_-_background_briefing_notes.pdf)

<sup>14</sup> NEA has produced a catalogue of health related fuel poverty schemes here <https://www.nea.org.uk/wp-content/uploads/2019/10/Catalogue-of-Health-Related-Fuel-Poverty-Schemes-2019.pdf>

<sup>15</sup> See <https://www.nea.org.uk/wp-content/uploads/2020/06/Connecting-Homes-for-Health-Final-Report-FINAL.pdf>

<sup>16</sup> On 30<sup>th</sup> June 2020, the BBC reported that the impacts of coronavirus had caused the worst contraction of the UK economy in 41 years. For the article, see <https://www.bbc.co.uk/news/business-53231851>