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Dear Rebecca

Thank you for the opportunity to respond to the published Governance Documents for the Fuel Poor Networks Extension Scheme and the Vulnerability and Carbon Monoxide Allowance. For the ease of comparison with other respondents, we have structured our response reflecting that of the guidance documents.

We would also take this opportunity to make some general observations regarding the nature of the guidance documents:

Compliance

Firstly, as highlighted in our response below, we note the requirement for gas networks to comply with the guidance document *“as if it formed part of their licence”*. Furthermore, we note the expectation on the licensee *“to understand the provisions of this Governance document and how these provisions apply to it”*. At present this poses a significant regulatory risk to networks. As per our response below, elements of the guidance documents are still under development, and others need significant clarification. Furthermore, as expressed at the Ofgem Licence Drafting Working Group, if the guidance is to be treated as if it were a licence condition, then we would expect a robust change control process including consultation, in addition to the guidance being published far in advance of the new price control commencing, alongside the Final Determinations at latest.

Definitions

Secondly, as highlighted in our response to the recent informal licence consultation, we consider it critical that all relevant terms are defined within their associated guidance document. This would avoid any errors or misunderstandings due to a lack of context and would ensure consistency of application. The risks are further compounded in the event that defined terms become ambulatory, which may create difficulties in tracking how a term affects the guidance and/or licence at any given period during the price control. This creates a significant risk of confusion and inaccuracy and may

lead to assessments of expenditure or activity being based upon the understanding of a term at one point in time which is different, and potentially greater in scope or requirements, than the original definition. As such, while we acknowledge the ambition to consolidate licence documentation and avoid repetition, we consider it is necessary to list all defined terms in the documents to which they apply, and to ensure consistency of definition is maintained.

Attached you will find our review of both documents, if you have any questions or would like to discuss further, please feel free to get in touch.

Yours sincerely

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Fuel Poor Network Extension Scheme Governance Document

Introduction (section 1.1 – 1.8)

Section 1.2 details to whom the scheme applies, and we welcome the new changes which have been put forward.

We would take this opportunity to highlight that any changes to the guidance document must include a check to ensure that any adjustments have a corresponding check on the deliverability of the targets and to re-align the targets as necessary. Furthermore, we note the volume driver includes the provision to stop or amend the scheme in response to government policy changes, in which event we would also expect such a re-opener to re-align the targets as necessary.

Regarding Section 1.6, we note the requirement for gas networks to comply with the guidance document *“as if it formed part of their licence”*. Furthermore, we note the expectation on the licensee *“to understand the provisions of this Governance document and how these provisions apply to it”*. As per our opening observations, this poses a significant regulatory risk to networks, as at present the document represents guidance rather than a licence condition, and furthermore requires substantial clarification of expectations. If compliance is to be measured as a licence condition then we would also highlight the requirement for a robust change control process including consultation, in addition to the guidance being published far in advance of the new price control commencing, alongside the Final Determinations at latest.

Eligibility Criteria (section 2.1 – 2.9)

GDNs have previously submitted joint documents¹ regarding the eligibility criteria which a household must meet in order to qualify for a connection via the FPNES. We believe the criteria should be supplemented with more accessible ways to assess the eligibility of households.

We think there would be a significant benefit in providing networks with privileges so they can access the DWP Data Match Service². Currently this is only available for criteria checks to evidence a household is in receipt of a qualifying benefit from the Department of Works and Pensions, to confirm their eligibility for an ECO measure. If access were to be provided, then networks would be able to obtain eligibility evidence for qualifying households. This will help to tackle issues of inclusion such as those experienced by non-digital households, in addition to concerns over the sharing of information and the curtail of Covid-19 on curtailing socially active venues (libraries, places of worship etc.) where information and support getting online is usually readily available.

Regarding the in-fill mechanism, we would like to see a change in the criteria for eligible households as described in section 2.7. Currently the criteria are too specific and we would recommend a change to:

In-fill properties must be existing domestic properties of a similar build and Energy Performance Certificate (EPC) as the households eligible for FPNES and must either be:

- *in the same terrace or set of terraces in the same road or adjoining roads (an example would be an estate of properties constructed to similar design and specification); or*

¹ Email titled ‘FPNES infill and health’ sent to Ofgem on 30 September 2020

² <https://datamatch.est.org.uk/> Authors: NatCen Social Research and the Centre for Sustainable Energy Date: August 2014, updated December 2014 – consent document: <https://anesco.co.uk/wp-content/uploads/ESTC-EST-consent.pdf>

- *in the same Multiple Occupancy Building, purpose-built block or building converted to multiple dwellings.*

We would also like to see a clear definition included within the governance document, or the associated Licence, for a 'Multiple Occupancy Building'. This definition should also make reference to a 'Purpose Built Block' and 'Building Converted to Multiple Dwellings'.

Section 2.9 places an obligation on the GDN, or its relevant fuel poverty partner, to assess whether gas is the best solution for the customer. We do not believe GDNs are best placed to make an impartial assessment on other fuel options, and therefore our recommendation is that this should be undertaken by an independent service which is able to provide impartial advice as part of its assessment. The Government's own website³ could be used for this purpose, and this site also benefits from being updated when changes are made. We would then expect to see this reflected during both the application and quotation acceptance processes. At application phase, the GDN or partner would advise the customer of the relevant tools available to ensure they make an informed decision. At quotation acceptance we would expect the customer to confirm they have satisfied themselves that a gas connection is the best option for them.

Funding Provision (section 3.1 – 3.11) in Section 3.6, *'Ofgem requires GDNs to use the 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'*. We believe the needs of a household living in fuel poverty is likely to be greater and the TDCV should reflect this.

Evidence⁴ demonstrates that those customers currently living in a fuel poor household are generally living in a less efficient home which therefore consumes relatively more energy to heat. However, these customers generally do not have sufficient finances to adequately heat them, meaning their average gas consumption is lower than the average home. We would like to see a higher TDVC as this would better reflect such households' actual heating requirements regardless of financial barriers, therefore supporting a greater number of customers currently living in fuel poverty.

Regarding Section 3.7., as we average the cost of our works across our fuel poor connections to have a single voucher value, we have seen negative impacts on our unit costs due UIPs consistently claiming the full value of the voucher. We would suggest in these situations that these claims should be assessed for transparency of actual costs involved and remunerated accordingly only to cover the actual costs.

Regarding sections 3.3 and 3.11, we require further clarity with these calculations and would welcome the opportunity to engage with Ofgem to develop the approach.

³ <https://www.gov.uk/improve-energy-efficiency>

⁴ House of Commons BEIS report: Energy Efficiency: Building towards Net Zero, 5.
<https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/1730.pdf>

Partnership Approval Process (section 4.1 – 4.4)

With reference to section 4.2, we have a number of comments on the GDN's assessment of its fuel poor partner organisation.

The first bullet point requires further clarity on what would be deemed suitable compliance. There are certain scenarios which could cause confusion, these could be:

- If a household secures funding, would this be sufficient?
- If a Housing Association obtained funding for in-house measures, but were not claiming via a scheme such as ECO, would this be acceptable?

ECO3 is due to end in 2022 (after the first year of RIIO-GD2) and we think removing the term 'ECO' from the bullet point would avoid the need for future document changes should the next scheme be named differently. However, we would also like to see a clear definition for 'schemes' added into the document with clear eligibility criteria, so that as future schemes materialise, they are supported, and licence changes are not required. This is particularly important for networks working in geographies with devolved governments.

We would also like to see a further wording change to this first bullet point to reflect an example of a fuel poverty partner facilitating funding for in-house work. We would suggest:

'provides and/or facilitates funding for in-house works, for example procuring funding for in-house works by contacting suppliers of major energy efficiency measures⁵, or, by providing assistance to the customer to access available funding.'

It would be practical to have an assurance that a fuel poor household would be given assistance to access funding for measures. Anything further would create more barriers and provide little benefit.

The second bullet point states it is the GDN's responsibility to ensure a fuel poverty partner *'has screening processes in place which use the Scheme's eligibility criteria to identify households eligible for the FPNES'*. Further clarity is needed regarding the expectation and responsibility of the GDN, particularly with regard to what would be deemed sufficient evidence, expectations around ongoing checks of compliance and what to do in the event of a compliance failure.

The third bullet point goes back to an earlier statement (Section 2.9) placing an emphasis on the GDN (and fuel poor partner) to determine if a gas connection is the best solution for the customer. Again, our view is the GDN and their partners are not best placed to make an assessment on other fuel options, as any recommendations could be viewed as self-serving. Therefore, as above, this would be best managed by an independent service to which the customer can be directed.

Appendix B – Partnership Approval Questions (section 1.1)

We understand the need to assess potential fuel poor partner organisations. However, we would like to better understand any potential requirements being placed on networks in respect of enduring relationships, for example whether such a relationship would necessitate continued reviews. Additionally, given the changing nature of available schemes and potential sub-partnering, we would welcome clarity regarding the expectations around governance and GDN responsibility.

Given our earlier responses we do have a number of specific comments on the questions suggested:

⁵ As defined within the House of Commons BEIS report: Energy Efficiency: Building towards Net Zero, 5.1. <https://publications.parliament.uk/pa/cm201719/cmselect/cmbeis/1730/1730.pdf>

Question 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'*

As per our previous responses to sections 2.9 and 4.2, we do not feel it is appropriate for either the GDN or the fuel poor partner to hold this responsibility. As such, we think this question should be amended and recommend the following wording; *'Please provide details of how the partner organisation will ensure consumers eligible under the Fuel Poor Network Extension Scheme have been advised on how to determine the optimal solution for the household'*

Regarding Question 4, *'Please provide details of how the GDN will ensure the partner is appropriately funded'*; eligible partners may obtain funding from a number of sources including:

- Directly contracted by a GDN
- Contracted by a Local Authority or other organisation
- Be working on behalf of local councils conducting ECP flex declarations

We do not consider it is appropriate for GDNs to request disclosure of financial arrangements, as organisations may be resistant and there may be GDPR implications. Rather, advice organisations which have access to a household's situation, such as Citizens Advice or adult social care support services, could be recruited as partners - the funding situation for the organisation making the eligible referral could be temporary and layered with many funders acting on reducing fuel poverty.

Regarding Question 5 *'On the data collected, can you elaborate on what the partner organisation will be asking for from customers?'*, we would welcome clarity on the expectations of the GDN.

The data being requested will be to determine eligibility, with this and any further personal data being protected by a DPIA aligned to GDPR requirements. As it will be the responsibility of the project partner to ensure they are compliant with GDPR, we are not clear on the expectations of the GDNs in relation to this question.

Regarding Question 6 *'Records must be maintained, how is the partner organisation planning to do this'*, GDPR defines that data must only be retained for the minimum period for which it is required. As it will be the partner organisations handling this data, we would expect their internal policies and processes to govern how records are managed, cogniscent of GDRP requirements.

Vulnerability and Carbon Monoxide Allowance governance document

Introduction (Section 1.1 to 1.8)

In Section 1.1 the clause states '*...projects focused on vulnerability and CO safety initiatives that go beyond business as usual*'. It is extremely important that a clear and appropriate definition of 'business as usual' is included within this document. For example, throughout GD1, GDNs have been driven by customer and stakeholder expectations, particularly in relation to vulnerability and Carbon Monoxide. We have listened, and implemented new initiatives to ensure our customers who are most at risk are never left without help. Our engineers never have to leave a customer without urgent support to repair faulty and sometime dangerous appliances, which can be a lifeline to keep customers safe and warm when they simply cannot access the full levels of help they really need. If these types of initiatives were deemed as business as usual and not supported or funded, we would be failing in our moral and human duty to take care of the most vulnerable in society.

We would therefore welcome further development of the definition and request that when our customers are in hardship or at risk, we have the ability and discretion to do the right thing. We have over one million vulnerable customers in our network, with a limited allowance where we can only offer around £1 per customer to help, therefore it is vital we are empowered to take care of those who need us the most and continue to grow our initiatives from GD1.

Regarding Section 1.6, we note the requirement for gas networks to comply with the guidance document "*as if it formed part of their licence*". Furthermore, we note the expectation on the licensee "*to understand the provisions of this Governance document and how these provisions apply to it*". As per our opening observations, this poses a significant regulatory risk to networks, as at present the document represents guidance rather than a licence condition, and furthermore requires substantial clarification of expectations. If compliance is to be measured as a licence condition then we would also highlight the requirement for a robust change control process including consultation, in addition to the guidance being published far in advance of the new price control commencing, alongside the Final Determinations at latest.

VCMA Projects (section 2.1 to 2.3)

Regarding Section 2.1, we would recommend Ofgem includes a table of existing practices which it deems business as usual.

VCMA Projects – Eligibility Criteria (Section 2.4 to 2.6)

Regarding section 2.4, we would recommend the definition for a 'customer in vulnerable situations' is incorporated into the governance document.

Regarding 2.4a, we would like to see a clear definition of 'direct net benefits' and would add our view that this should be linked to Social Return on Investment (SROI) in order to avoid duplication.

With regard to 2.4b, we note this currently suggests that a project has to satisfy both consumers in vulnerable situations and provide awareness from the dangers of CO. We recommend the wording is changed to:

'provide a direct net benefit to consumers in vulnerable situations or, provide awareness from the dangers of CO or, reduce the risk of health issues caused by CO,'

In relation to 2.4.d, we would like to understand if Ofgem have a view on a preferred SROI partner, as a common appointment would help ensure consistency across the networks. As per 2.4a we would like to clarify net benefits.

We consider that 2.4.e requires further definition, as while the networks have common core duties, as above a significant proportion of our operations work is driven by customer and stakeholder feedback and linked to the communities in which we operate. As such we would like to see further definition of this statement, and a clear definition of Ofgem's view on the role of a gas network.

Additionally, we feel that 2.4.f is contradictory to the purpose of 2.4.e., as going beyond business as usual will see us expand our work beyond what has been the traditional role of a GDN. This should be embraced if we are making a difference to our customers' lives and providing a return on investment for the communities in which we work.

As above, customers cannot always get the help they need when they need it the most. Some of our most vulnerable customers may be asset rich but fuel poor and are not always eligible to source funding elsewhere. Depending on the time of year, an emerging need for help may be urgent and the customer simply may not be able to wait to apply for funds. For example, they cannot afford a Gas Safe Registered Engineer and even then, they cannot afford to pay for the repairs or replacements, putting them at risk from the cold in addition to potentially dangerous appliances in the interim. We would suggest 2.4.g reflects this with a caveat that additional funding should also be sourced where it is available through local partnerships etc.

Project Registration

Regarding Section 2.7, to ensure we make the best use of our customer's and bill payer's money we would suggest that an Ofgem member also co-signs with the senior GDN representative when implementing VCMA projects which have met the criteria in 2.8.

VCMA Projects – Annual Reporting Obligations (Section 2.9 to 2.13)

We would request further guidance regarding Ofgem's expectation of the annual report and would suggest the published date is moved back to July to allow for reconciliation of annual finances and measured outputs.

Annual Showcase Event

We look forward to collaborating with our fellow Gas Distribution Networks and showcasing the good work our people in the gas industry do every day to take care of our customers and those around us where we may impact their lives. We appreciate the support from Ofgem, and by providing the VCMA this will help to demonstrate what more we can do to further help our local communities.