

## Annex 3:

### Response Template

Thank you for taking the time to respond to our questions.

We hope all the questions are clear, but if you have any difficulties please email [rupika.madhura@ofgem.gov.uk](mailto:rupika.madhura@ofgem.gov.uk).

Once you have completed the questionnaire please send it back to us to the email address above. You need to return the completed response template to us by **31 October 2014**.

| Part 1 - About you                    |                                                           |
|---------------------------------------|-----------------------------------------------------------|
| Question                              | Your response                                             |
| <i>What is your name?</i>             | Jos Mister                                                |
| <i>What is your position?</i>         | Project Manager                                           |
| <i>What are your contact details?</i> | 01422 880 120<br>Jos.mister@yorkshireenergyservices.co.uk |

| Part 2 - About your business                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| Question                                                                                                                                               | Your response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <i>What is your company's name?</i>                                                                                                                    | Yorkshire Energy Services CIC                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <i>What is the nature of your company's business? Please state if this involves Fuel Poor Network Extensions Scheme, or Fuel Poverty related work.</i> | <p>Yorkshire Energy Services is a national Community Interest Company working within the UK energy efficiency industry. As award winning energy saving consultants, we specialise in delivering carbon reduction programmes on behalf of Local Authorities, Housing Associations, Community Groups, Businesses and Energy Companies.</p> <p>Yorkshire Energy Services' primary aim is to conduct business that supports and strengthens local communities across the UK. A proportion of our profits get regenerated into community initiatives to help reduce fuel poverty and combat the threat of Climate Change.</p> <p>Since July 2012 Yorkshire Energy Services have been working in partnership with Scotia Gas Networks (SGN) to encourage off gas householders to connect to the national grid and assess eligibility under the Fuel Poor Network Extension Scheme for assisted gas connections. We are about to start a similar service for Northern Gas Networks Ltd (NGN)</p> |
| <i>What areas of the country does your business operate in?</i>                                                                                        | Nationwide                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

Part 3 – FPNES review questions

***Q1 Do you think the Scheme effectively interacts with the UK heating Strategic Framework and Scotland’s Heat Generation Policy Statement? How might it be improved to better align with wider activity? Please evidence your answer.***

The Fuel Poor Network Extension Scheme offers immediate assistance to the affordability of energy for customers in fuel poverty with savings of at least £300 per annum as gas is currently the cheapest unsubsidised means of heating domestic properties.

All of the schemes mentioned in the consultation paper have a part to play in addressing the issues of fuel poverty in the UK. We believe greater transparency and promotion of these schemes would ensure customers are made aware of how each of the schemes could apply to them.

Extending the number of fuel poor gas connections not only removes people from fuel poverty by lowering their heating costs, but also reduces carbon emissions from homes which were previously heated using oil, liquid propane gas (LPG) or electricity. However, we believe that the current focus of the Scheme on fuel poverty – and not decarbonising heating – is correct. Where the two objectives can be matched, for example in the installation of heat pumps to homes too far from the gas grid for connection to be economically viable, then funding from the FPNES should be used in pursuance of the UK Heating Strategic Framework.

We believe that if sufficient provisions were made available to support the installation of other in-house measures (i.e. central heating systems), many more vulnerable households could be supported under the Scheme. This is of particular importance to off-gas communities within the vicinity of the existing network as the costs of mains infrastructure to reach these communities can often exceed the maximum Assisted Connections allowance. An ability to lever additional funding, either from within the Scheme or via alternative assistance options, is critical to reaching such communities. Any broader UK energy strategies should also recognise this important factor and the current fuel poverty issues experienced in these communities

We recognise the value of schemes such as the Scottish Government Gas Infill Loan Scheme in overcoming the costs and challenges for connecting off-grid fuel poor communities. We would encourage the continuation and expansion of such schemes across the rest of the UK.

We note DECC is currently consulting on a new fuel poverty strategy for England and we would therefore encourage Ofgem to work with DECC to ensure the fuel poor networks extension scheme continues to be an integral part of the Government’s strategy to combat fuel poverty. We would also encourage Ofgem to continue working with the Scottish Government to ensure favourable outcomes are achieved for customers in Scotland and with particular reference to the Home Energy Efficiency Programme for Scotland (HEEPS).

***Q2 Should the Scheme be targeted at certain types of customers/certain locations to maximise long term benefits (eg over a period of 15-45 years)? If so who/which locations should be targeted and how might this best be achieved?***

We believe that the Scheme should not be further targeted, but remain widely available to address fuel poverty for all people in all locations.

We would strongly support a broader funding package for potential fuel customers promoting the installation and use of energy efficient central heating systems as part of their wider energy needs.

Residents living in park homes, high rise and/or tower block sites are some of the worst affected homes in the country and are often in the most urgent need for assistance with their energy needs. Gas service installation is prohibitively expensive at these locations, and therefore these customers could benefit from district heating system options that we would like to support (see response to Q4 for more detail).

The Scheme should better engage with private landlords, but we appreciate this is a market that each of the funding streams are finding difficult to engage with. We therefore welcome the changes to the Energy Bill 2011, which encourages private landlords to improve the homes of their tenants by 2018. In order for this to be most effective, we would suggest there should be enforceable obligation placed on landlords to ensure that tenants are protected.

We consider the delivery of future improvements would be enhanced by improved co-ordination between various utility providers and, in particular, we believe closer co-operation between gas and electricity networks owners and energy suppliers should be further encouraged.

In targeted areas, for example community connection projects, the full grant should be awarded to the 'project scheme pot' regardless of the individual connection cost. This will reduce the overall cost of the scheme, and increase take up from non-qualifying residents (many of whom may only just be outside the qualifying criteria) – making the scheme more financially viable, and thus more likely to go ahead.

***Q3 How effectively is the Scheme interacting with these strategies and other forms of assistance? Please explain where the Scheme works well and where there are any issues.***

The scheme works well where and when there is parallel funding that can be used to fund installation of heating systems (in-house works). For many of those eligible under the FPNES finding the funds to pay for gas central heating is prohibitive, sometimes to the extent of not going ahead with the assisted connection. Anecdotally we know that a significant minority of FPNES eligible customers do not go ahead with the connection as they do not have the capital or access to funding (ECO etc.) to pay for the in house work. These are often the most vulnerable customers – i.e. the most fuel poor.

In England the move from CESP and CERT to the various ECO funding streams and Green Deal has had a detrimental effect on the availability of funding for in-house works. Under previous supplier-led funding streams, there were provisions to support the installation of complimentary in-house measures (such as central heating systems).

The element of ECO providing heating assistance for the fuel poor –The Home Heating Cost Reduction Obligation (HHCRO)- provides £325m per annum for the first ECO period to March 2015. Data published by Ofgem shows that by the end of August 2014 obligated energy suppliers had already met their obligated (103% delivered), with 7 months still to go. Whilst the obligated energy suppliers should be congratulated for meeting their targets ahead of time – and thus helping those in fuel poverty sooner- this has resulted in there being little to no funding currently available to fund new heating systems.

In addition the ECO funding available to a household is based on fuel bill savings; this means that for smaller properties there is generally less funding available than for larger

properties – resulting in most HHCRO funded boilers being installed in larger properties. HHCRO would very rarely fully fund a new central heating system in any size home and with rates now down as low as 5p/£ of fuel bill savings only the largest properties (with the highest fuel bill savings) have any real chance of any significant assistance.

In Scotland customers eligible for a gas connection are often also able to access help towards installing the heating systems (The Energy Assistance Scheme component of HEEPS), this would seem to increase the uptake as customers do not need to fund the installation costs which even with HHCRO funding can be in excess of £4,000 for the heating system.

In our view, there needs to be greater focus on the provision of a total integrated energy solution for fuel poor customers rather than individual aspects of a combined energy solution. Customers targeted by the FPNES are often amongst the most vulnerable in our society, and sending them to multiple different schemes, sometimes managed by different providers and with differing criteria causes undue confusion, leading to a lower uptake of such schemes.

#### ***Q4 Are there any changes we could make to the Scheme that would better align it to these strategies and forms of assistance?***

We have a number of suggestions:

- Allowing Energy Performance Certificates to recommend gas heating when none is present and score the associated savings for the fuel switch. This would attract funding for these householders for heating (in house measures).
- Where the actual cost of connection falls below the voucher value, the differential could be used for in-house works and supplement other forms of funding.
- Fuel poor customers who benefit from an indirect connection (i.e. for instance via a district heating connection that is supplied by a direct gas source) should also qualify under the Scheme. Park Home residents have been identified as being at high risk of fuel poverty, and are predominantly off the gas network.

We are currently partnering with a Local Authority to improve the energy efficiency and heating of Park Homes on a council owned park. The project would be using ECO funding (CERO or CSCO) to fully insulate the park homes as well as working with the FPNES to get all the properties connected to mains gas via a district heating system (current heating systems include oil, LPG and electric). The project will be using a whole house approach that is considered best practice in the sector and will have a significant impact in terms of lifting the 70 Park Home residents out of fuel poverty. However we understand that under the current eligibility rules of the Scheme since individual home owners will not have gas connected directly to their residence but will access space heating through a gas powered district heating system then they will not be eligible for funding under the Scheme.

- Include within the Scheme connections to gas CHP installations in high rise properties where localised heating systems within building can provide much more efficient heating and lower bills for the residents. Eligibility would be determined by the status of the individual residents or location consistent with the scheme criteria.
- We believe that the requirement for decent levels of insulation (similar to the domestic RHI requirement) should be explored for all connections under the Scheme.

#### ***Q5 Does the Scheme provide an opportunity to address these issues? What changes could be made to the Scheme to help address these issues?***

We believe that the scheme does offer the opportunity to address the issues, however these opportunities are not currently fully realised. More information could be given to people who are off the gas network regarding alternative fuel, insulation and energy efficiency behavioural changes.

See suggestions in response to previous questions.

**Q6 Are there any other changes you would like to see made to the Scheme? If yes, what benefits do you think these changes will deliver?**

Allowing households to access the full funding amount regardless of their connection cost would provide funds towards the installation of the new heating system.

We believe that energy suppliers should be obliged to promote and consider the Scheme as part of a wider package of energy efficiency measures that are provided to customers at the time they transfer to a smart meter. We consider promoting the Scheme as part of a wider energy efficiency assessment for fuel poor customers would be extremely beneficial – for example by the DECC funded Energy Saving Advice Service, and frontline advice services such as the Citizens Advice Bureau.

**Q7 Do you agree with the updates to the eligibility criteria suggested in Annex 1? If not, please explain your rationale and any other changes you would like to see?**

We share the concerns of NGN, whose analysis of the proposed changes shows they are likely to reduce overall the number of eligible customers. Whilst extending the eligible LSOA's to the lowest 25% will increase the number, it is calculated that this is more than offset by the move from CERT Priority or Warm Front criteria to HHCRO criteria

We believe the criteria should be extended to include all those customers eligible for the Winter Fuel Payment which would retain the age eligibility criteria and align to the wider fuel poverty strategy.

We would note also that;

- extending the eligible LSOA's to the lowest 25% in line with ECO would be welcome and could be incorporated to a targeted area based campaign.
- Changing from the simple Warm Front criteria to the more complicated HHCRO criteria will make self-assessment harder for those who are eligible. However, it could make signposting easier.
- Removing the Priority Group criteria will dramatically reduce the number of people who are eligible for the scheme. Currently around a third of eligibility is due to the Priority Group criteria in the SGN area that we screen. Possible benefit entitlements for Ofgem to consider for achieving eligibility under FPNES could be brought in line with other poverty based assistance schemes such as: governments Budgeting Loans, Crisis Loans and Community Care Grants, which require recipients to be in receipt of:
  - o Income Support,
  - o Income-based Jobseeker's Allowance,
  - o Income-related Employment and Support Allowance, and
  - o State Pension Credit.

These poverty schemes also have criteria around people moving out of care (hospital or residential care), which would be useful to connect those who are moving back in to a house with insufficient heating systems to the gas network.

- We support the use of the new fuel poverty definition, though the data used to assess eligibility would have to be detailed and accessible for self-assessment and for those organisations who validate household's eligibility. To the best of our knowledge such screening information/data is not currently available

In addition, to take full advantage of the improved opportunities to provide a whole-house approach to tackling fuel poverty, then the previous response above on the need for funding opportunities for more integrated fuel poor energy solutions (i.e. the inclusion of central heating systems) should also be addressed.

**Q8 Do you agree with this change to the average domestic gas consumption value?**

We agree in principal with the proposed change to the average domestic gas consumption value, and that it reflects wider reductions in gas consumption. However we are aware the subsequent decrease in financial assistance may have an impact on the uptake of the FPNES.