



Action for Warm Homes

CONSULTATION RESPONSE

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NEA response to Ofgem FPNES Governance Drafting Consultation

About National Energy Action (NEA)

NEA¹ works across England, Wales, and Northern Ireland to ensure that everyone in the UK² 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 homes³, NEA also undertook a review of progress toward meeting the 2021 gas connection targets. The report "In from the Cold"⁴ underlined the value of First Time Central Heating (FTCH) as a key measure to address fuel poverty⁵. 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.⁶ 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 suppliers⁷. 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 independents⁸.

Our response

NEA supports the continuation of the FPNES, and we are pleased to see that some of our recommendations regarding the drafting of the Governance document have been taken on board, in particular introducing health based eligibility criteria, and guidance around provision of information for recipient households. The Governance could, however, be further strengthened.

While NEA understands that Ofgem has no remit in the regulation of third parties, we believe that there must be an explicit requirement for at least the spirit of the new licence condition to "treat customers fairly" (SSC21) to be passed through to any contractors that are used in the FPNES process. This could be achieved simply with the addition of a new question into the partnership approval questionnaire that would ask what processes the supplier has in place to ensure that vulnerable households are treated in a fair manner. 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. We were pleased to see that the latest drafting includes several areas where information should be given to the customer, which is an excellent step forward. However, NEA believes that the drafting could go further. Firstly, the drafting currently suggests that GDN's "should" ensure that information is given. This allows some leeway for GDNs that choose not to provide information, which would be an unacceptable outcome. NEA recommends that GDNs must provide the information. Additionally, there are several butts of information that NEA believes must be given on top of those suggested in the drafting:

- 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 (if the householder is eligible).
- 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;
- 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.

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

- **There must be a requirement on GDNs and/or their partners to ensure that their funding can be obtained for a new gas appliance.** The current drafting of the guidance requires that as part of the partner selection process that partners are able to “provide and/or facilitates funding for in-house works, for example procuring funding for in-house works by contacting suppliers of other schemes”, and for GDNs to ensure that there is an intention on the part of the householder/tenant to install gas fuelled appliances, including first time central heating. However, there is a significant risk that this is not joined up and households end up with a connection but not a complementary heating appliance. Ofgem must introduce a new requirement for GDNs and/or their partners to make best efforts to ensure that recipients of a connection also receive a gas appliance within the suitable timeframe. We also remain concerned at the length of time that a household may need to wait for an appliance after the connection is installed. If the wait is up to 2 years, then this would lead to an accrual of standing charges which could be significant. Under the current default tariff price cap arrangements, this is a cost of over £200 for the two years.⁹
- **The voucher value must have some element of flexibility.** In our project “Connecting Homes For Health”¹⁰, 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 targeting has not been linked to increased targets.** NEA restresses that 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. If this is not reflected elsewhere, then Ofgem must ensure that the reputational incentive for FPNES is strong enough to encourage more stretching delivery that was previously proposed

¹ For more information visit: www.nea.org.uk.

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

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

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

⁵ 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).

⁶ 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.

⁷ 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.

⁸ NEA’s Chief Executive Adam Scorer sits on the Wales and West CEG whilst Policy Manager Matthew Copeland sits on the Cadent CEG.

⁹ The price cap currently sets the nil rate for gas meters as £108.81/year https://www.ofgem.gov.uk/system/files/docs/2019/08/default_tariff_cap_level_-_1_october_2019_-_31_march_2020.pdf

¹⁰ See <https://www.nea.org.uk/wp-content/uploads/2020/06/Connecting-Homes-for-Health-Final-Report-FINAL.pdf>