

Y Gwir Anrh/Rt Hon Carwyn Jones AC/AM
Prif Weinidog Cymru/First Minister of Wales



Llywodraeth Cymru
Welsh Government

Mark Isherwood AM
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27 July 2011

Dear Mark

I am writing in response to the supplementary question you raised on 12 July about combining CERT offers and partial grants under our new fuel poverty scheme, Nest, and its predecessor, the Home Energy Efficiency Scheme (HEES). I agreed that I would write to you with a detailed answer.

The rules governing the CERT obligation on energy suppliers are set by Ofgem, the regulator for the gas and electricity industry. Ofgem's additionality rule prevents energy suppliers from claiming carbon credits towards their obligation for installations that have been part funded by central government. Suppliers are only allowed to claim the full credits where they have funded the installation in full or the householder has paid a contribution. Where measures are installed under a central government funded scheme, carbon credits can only be claimed for CERT eligible measures where the energy supplier funds the cost of the works in full or refunds the costs met by the government in full. It should not therefore be possible for any energy supplier to combine a CERT offer with a Welsh Government funded grant.

You are correct in that under HEES all householders over the age of 60 were eligible to apply for a £500 partial grant for heating or insulation works. Up until April 2010 any partial grant work was undertaken by HEES registered installers and arranged by Eaga plc, who managed the scheme on behalf of the Welsh Government. From April 2010, when the Boiler Scrappage Scheme was introduced, the system for partial grants was changed and householders were instead sent a voucher that they could use to pay a certified installer of their choice.

Under the voucher scheme, householders should not have been able to benefit from both the Welsh Government funded partial grant and CERT funding because of the additionality rule. Under the pre-voucher system, the same rule applied, but Eaga was able to sell the carbon value of some of the HEES insulation work to energy suppliers to help them meet their CERT carbon saving targets. This was allowed under the additionality rule because the energy supplier refunded the HEES expenditure in full. While the selling of carbon

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savings did not directly benefit individual householders, the funding received from suppliers was reinvested in HEES and enabled more householders in Wales to benefit from the scheme.

Our new fuel poverty scheme, Nest, is a very different scheme to HEES. While it still offers partial grants to vulnerable householders at the levels you quoted, the priority is to target the scheme's funding at those householders living in the most energy inefficient homes (EPC rating of F or G).

Our priorities for targeting funding for a new fuel poverty scheme to replace HEES were set out in the consultation on the Fuel Poverty Strategy, and stated that the partial grant would be set at a level that would ensure that the use of energy supplier or other UK wide funding was maximised before the Welsh Government used its own funds. Increasing the level of partial grant offered under Nest would reduce the funding available to invest in full energy performance improvement packages. This would result in fewer households living in F or G rated homes being able to benefit from major improvements that could help them heat their homes more affordably.

Under Nest we have ensured that where energy improvement packages include CERT eligible measures, these measures will be funded in full by the scheme manager, British Gas. This arrangement will enable more of the Welsh Government's funding for Nest to be invested in higher costs measures, such as solid wall insulation, which are not offered under CERT. This arrangement meets Ofgem's additionality rule because British Gas will fund the cost of the CERT eligible measures in full.

We are committed to keeping the eligibility criteria for Nest under review, particularly as Green Deal and the new Energy Supplier Obligation are developed, and will ensure that the scheme continues to target funding at those householders most in need.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Carwyn Jones', written in a cursive style.

CARWYN JONES