

Annex 4D

The Work of the Design and Demonstration Unit

4A.1 The Design and Demonstration Unit (DDU), a team of private sector secondees based within DTI, was established in 2003 to undertake work in support of Energy White Paper objectives on fuel poverty. Working with a community, rather than an individual household, focus, it has researched methods of assisting disadvantaged communities; delivered pathfinder projects to extend the gas network into non-gas areas; and developed pathfinder renewable energy projects for areas outside the gas network.

4A.2 The DDU has developed and tested a funding model for the provision of mains gas to communities off the gas network. By Spring 2006, it had completed eight projects, begun construction on a further eight and had two more projects at contract stage. Six thousand households in deprived communities have been given access to mains gas. Although funding streams and economics vary from community-to-community, the DDU has delivered connections, with the associated measures to reduce heating costs within the home, at a substantial discount to standard Transco costs. Using one model, projects can even generate a surplus in terms of the contribution from the gas transporter, which can then defray the overall cost of the project to the community, particularly by contributing towards a gap fund to assist households that do not qualify for Warm Front measures.

4A.3 In respect of renewables, the DDU has access to £2 million of DTI funding. In 2006/7-2007/8, it is using this in partnership with two Regional Development Agencies – One North-East and Yorkshire Forward to deliver community-based projects on a co-ordinated, regional basis. These will include both mains gas connections to deprived, non-gas communities and renewables connections where gas connections are not economically viable. The first projects will be completed during 2006/7. The DDU has developed a new delivery mechanism, utilising community interest companies.

4A.4 The renewables projects will utilise proven technologies that can deliver heating at a price comparable with that of mains gas. These programmes represent a fundamentally different approach from mainstream, grant-based DTI demonstration or installation programmes. They are designed to be economically viable and sustainable, as well as replicable, both in the individual regions and throughout Great Britain.

4A.5 The programmes will also have an economic focus by promoting local employment and skills and developing local industries that manufacture and supply new technologies. The DDU expects to assist forty communities and 4,000 households in the two regions. It has a strong focus on maximising value for money from the DTI and RDA funding, leveraging in at least £16 million of other funding and delivering projects at a fraction of the cost of other fuel poverty programmes.