

# Vulnerability & Carbon Monoxide Allowance (VCMA)

## Project Eligibility Assessment (PEA) Fuel Poverty Partner Ecosystem - Phase One

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## Gas Network Vulnerability & Carbon Monoxide Allowance (VCMA) Governance Document - Project Eligibility Criteria

<b>Section 1 - Eligibility criteria for company specific projects (other than condemned essential gas appliance repair and replacement)</b>	
In order to qualify as a VCMA project, a project must:	
<b>VCMA Eligibility Criteria</b>	<b>Criteria Satisfied (Yes/No)</b>
<b>a)</b> Have a positive, or forecasted positive Social Return on Investment (SROI), including for the gas consumers funding the VCMA project;	<b>Yes</b>
<b>b)</b> Either: <ul style="list-style-type: none"> <li><b>i.</b> Provide support to consumers in vulnerable situations, and relate to energy safeguarding, or</li> <li><b>ii.</b> Provide awareness on the dangers of CO, or</li> <li><b>iii.</b> Reduce the risk of harm caused by CO;</li> </ul>	<b>Yes</b>
<b>c)</b> Have defined outcomes and the associated actions to achieve these;	<b>Yes</b>
<b>d)</b> Go beyond activities that are funded through other price control mechanism(s) or required through licence obligations; and	<b>Yes</b>
<b>e)</b> Not be delivered through other external funding sources directly accessed by a GDN, including through other government (national, devolved or local) funding.	<b>Yes</b>
<b>Section 2 - Eligibility criteria for company specific essential gas appliance servicing, repair and replacement projects</b>	
In order to qualify as a VCMA project, unsafe pipework and essential gas appliance servicing, repair or replacement must meet the following criteria:	
<b>a)</b> A GDN has to isolate and condemn unsafe pipework or an essential gas appliance following a supply interruption or as part of its emergency service role;	<b>N/A</b>
<b>b)</b> The household cannot afford to service, repair or replace the unsafe pipework or essential gas appliance; and;	<b>N/A</b>
<b>c)</b> Sufficient funding is not available from other sources (including national, devolved or local government funding) to fund the unsafe pipework or essential gas appliance servicing, repair or replacement.	<b>N/A</b>

<b>Section 3 - Eligibility criteria for collaborative VCMA projects</b>	
In order to qualify as a collaborative VCMA project, a project must:	
<b>a)</b> Meet the above company specific and boiler repair and replace (if applicable) project eligibility criteria;	<b>N/A</b>
<b>b)</b> Have the potential to benefit consumers on the participating networks; and	<b>N/A</b>
<b>c)</b> Involve two, or more, gas distribution companies.	<b>N/A</b>

**Gas Network Vulnerability and Carbon Monoxide Allowance (VCMA)  
Governance Document - Project Registration Table 2**

Information Required	Description
<b>Project Title</b>	Fuel Poverty Partner Ecosystem - Phase One
<b>Funding GDN(s)</b>	Cadent - company specific project across all five Cadent networks
<b>Role of GDN(s) *For Collaborative VCMA Projects only</b>	Not applicable - Cadent company-specific project
<b>Date of PEA Submission</b>	February 2023
<b>VCMA Project Contact Name, email and Number</b>	Contact Name: Phil Burrows Role: Head of Customer Vulnerability & Social Programme Delivery Email: phil.m.burrows@Cadentgas.com Number: 07773 545451
<b>Total Cost (£k)</b>	£62,400.00
<b>Total VCMA Funding Required (£k)</b>	£62,400.00
<b>Problem(s)</b>	<p>Cadent will work with energy and utilities consultants at SIA Partners to deliver the Fuel Poverty Partner Ecosystem project.</p> <p>The first phase of the Fuel Poverty Partner Ecosystem projects focusses on understanding the challenges that fuel poor households face in 2023 and beyond, and the barrier that organisations face in delivering support to alleviate fuel poverty.</p> <p><u>Challenges faced by fuel poor households</u></p> <p>Fuel poverty remains a prominent form of hardship that impacts millions of households across the United Kingdom. The government's latest fuel poverty statistics illustrate the scale of hardship in 2022.</p> <p>For example, the 2022 statistics state that 13.4% of UK households are currently living in fuel poverty. There are areas of Cadent's network that report levels of fuel poverty significantly higher than the national average of 13.4%; with a greater proportion of households in the West Midlands (19.2%) and Yorkshire and the Humber (15.9%) experiencing fuel poverty.</p> <p>Applying the 13.4% national average, approximately 1,474,000 households are currently living in fuel poverty across Cadent's network.</p> <p>Fuel poverty can have many adverse effects on the health of residents living in this particular form of hardship. For instance, a recent National Energy Action article listed the following negative impacts:</p> <ul style="list-style-type: none"> <li>• Households can adopt unsafe energy rationing practices.</li> </ul>

- Customers may elect to voluntarily self-disconnect from their energy supplies.
- Fuel poverty can increase the risk of exposure to several health conditions including heart disease, chronic obstructive pulmonary disease (COPD) and asthma.

At the more severe end of the scale, fuel poverty can result in early mortality and excess winter deaths. More people die in the winter than in the summer in England and Wales, due a higher risk of residents experiencing cold housing conditions. 2017/2028 statistics report that 16,890 excess UK winter deaths were attributable to cold housing conditions. Separate government statistics report the cost of a death to the UK economy to be £1,897,129.00.

A household's risk of experiencing fuel poverty in principally influenced by three factors:

- The price of fuel,
- The levels of available household income, and,
- Property energy efficiency and customer behaviours.

Recent increases in the cost of living have caused customers to have less available household income to afford their required fuel costs. Additionally, increases in the energy price cap have led to the cost of fuel rising, and many experts predict that both of these socio-economic factors will cause rises in fuel poverty.

This project aims to support households living in fuel poverty by creating a community of organisations that can codesign and deliver initiatives that provide assistance to customers. This assistance may include fully funded fuel poverty solutions such as income maximisation, debt management, energy efficiency, and retrofit (funded outside of the VCMA). This community approach also aims to generate a greater social return on investment by maximising the support offered to customers and creating cost savings/efficiencies.

#### Barriers that organisations face in delivering support to alleviate fuel poverty

Both customers and funders can face barriers to accessing and delivering fuel poverty support. These barriers can lead to duplication, whereby a customer is receiving a confusing mixture of the same message, and a funder is investing capital in an initiative that is delivering support that is broadly similar to other national/local programmes.

Due to the increases in the cost of living and the energy price cap, many regulated and non-regulated organisations are committing more funds to tackling the issue of fuel poverty. However, funders face challenges in delivering support to households who stand to benefit most from this additional support.

For example, customers' awareness on the amounts and types of support available remains at a level where millions of households miss out of assistance. For instance, the government's energy price guarantee reduces bills for people on direct debits and provides vouchers to prepayment meter customers. Despite voucher uptake increasing in recent months (£1.7mil worth of vouchers claimed in January 2023), the Department for Business, Energy, and Industrial

	<p>Strategy report that 24% of pre-payment meter vouchers remain unclaimed.</p> <p>As well as low levels of customer awareness presenting challenges to organisations working to alleviate fuel poverty, the issue of identification remains a barrier to delivering support.</p> <p>Households living in fuel poverty can be difficult to identify due to a number of factors including:</p> <ul style="list-style-type: none"> <li>• The transient nature of property occupation. Many customers that stand to be most at risk of experiencing fuel poverty (due to lower levels of household income) can occupy private rented and social housing properties. It is not uncommon for customers to move from property to property, presenting challenges to agencies that are attempting to identify households most in need of support.</li> <li>• Data sharing. Organisations such as charitable foundations and regulated utility networks can often have existing access or obtain data on fuel poor households through their customer vulnerability activities. However, many organisations work in silos and are currently not sharing data outside of their organisations. GDPR compliance is an important factor in data sharing, but the many of the current ways of working do not help the industry to consistently identify customers living in fuel poverty.</li> </ul> <p>This project aims to overcome barriers such as customer awareness and identification by creating a community of organisations that can codesign and deliver initiatives that provide assistance to customers. These initiatives will consider important factors such as comms/marketing, the use of trusted organisations (e.g. well known charities and local authorities) and the compliant sharing of data.</p>
<p><b>Scope and Objectives</b></p>	<p>Cadent will work with energy and utilities consultants at SIA Partners to deliver the Fuel Poverty Partner Ecosystem project.</p> <p>Cadent has identified an opportunity to lead on a piece of work that will evaluate how fuel poverty support is currently delivered, and pilot a new improved way of working collaboratively.</p> <p>The term "<i>partner ecosystem</i>" defines a community of partners with aligned objectives that leverage each other's capabilities to achieve a set of mutually beneficial outcomes - in this case, the common goal of tackling fuel poverty.</p> <p>The first phase of the Fuel Poverty Partner Ecosystem project focusses on understanding:</p> <ol style="list-style-type: none"> <li>a) The needs of fuel poor households in 2023,</li> <li>b) The current barriers organisations face in supporting those needs, and,</li> <li>c) Assessing the way in which organisations like regulated utility networks have delivered fuel poverty initiatives in the past.</li> </ol> <p>Cadent and SIA Partners will obtain insight on the above points by conducting stakeholder research with up to 30 organisations from across the industry. Examples of the groups of organisations that we aim to speak to include gas distribution networks (GDNs), distribution network operators (DNOs), water companies, charitable foundations, delivery partners, local authorities, and consumer advocates.</p>

The insights gained from this stakeholder engagement will help Cadent and SIA Partners to design a potential partner ecosystem structure, defining roles and responsibilities for interested organisations into the categories of Strategic Partner, Delivery Partner, Support Partner. Organisations will be mapped against their capabilities, with a full list of capabilities created to show the range of funding, knowledge, services, and customer relationships available.

The insight used from this stakeholder engagement will also be used to inform the fuel poverty partner ecosystem's approach to tackling fuel poverty, addressing current barriers, and utilising any best practice.

If successful, there will be an option to extend this project further. In this, Cadent and SIA Partners will use the insights obtained from stakeholder engagement and the capabilities of engaged partners to design a pilot project to be delivered in Q2 2023-2024. The pilot will be co-designed with organisations engaged through the stakeholder engagement process, ensuring that the views of the wider industry are considered.

The partner ecosystem will also consider wider collaborative working factors including:

- The joint and consistent measurement of social value and other metrics across the industry;
- How regulated network business plans and customer vulnerability strategies are informed;
- The duplication of programme coverage and minimising the risk of creating a postcode lottery with how fuel poverty support is delivered.

### Project Objectives

Overall, the Fuel Poverty Partner Ecosystem - Phase One project aims to achieve the following objectives:

- Cadent will increase its understanding on the needs of fuel poor households in 2023.
- Cadent will improve its awareness on the barriers facing organisations when working to support fuel poor households, and approaches to overcome them.
- Cadent will assess the ways in which organisations (such as regulated energy networks) have delivered fuel poverty initiatives in the past, will identify best practice from these approaches, and identify limitations.
- Cadent and SIA Partners will receive interest from a range of stakeholders interested in joining the partner ecosystem and will map their capabilities and defines roles against the categories of strategic, delivery, and support partners.
- Cadent, SIA Partners, and partner ecosystem members will co-design a pilot that delivers fully funded fuel poverty solutions to customers in Q2 2023-2024.

	<ul style="list-style-type: none"> <li>• Cadent will use the platform of the partner ecosystem to promote wider collaborative working on factors such as the joint evaluation of fuel poverty projects, the informing of regulated energy network business plans, and the reduction of programme duplication.</li> </ul> <p>Overall, the fuel poverty partner ecosystem project has the objective of designing and testing a new approach of alleviating fuel poverty. The new approach will centre on the sharing of funding, expertise, resources, and customer relationships to deliver a pilot that offers practical support to customers.</p>
<p><b>Why the Project is Being Funded Through the VCMA</b></p>	<p><b>A. The project is forecasted to have a positive SROI.</b> Regarding social return on investment, the project has a point of difference when compared to the majority of Cadent-funded VCMA projects. Cadent and SIA Partners have analysed past and current Cadent fuel poverty initiatives to understand the average SROI ratio that was achieved when working in on a 1-2-1 basis. We believe that the fuel poverty ecosystem approach has the potential to increase the SROI ratio on each pound spent by Cadent and other funding partners in the community.</p> <p><b>B. The project will either:</b></p> <ol style="list-style-type: none"> <li>I. <b>Provide to consumers in vulnerable situations, and relate to energy safeguarding, or</b></li> <li>II. <b>Provide awareness on the dangers of carbon monoxide, or</b></li> <li>III. <b>Reduce the risk of harm caused by carbon monoxide</b> The project relates to the provision of support to consumers in vulnerable situations and relates to energy safeguarding. The Fuel Poverty Ecosystem - Phase One project will design an approach that maximises the support delivered to consumers living in vulnerable situations, by directing funding, resources, and insight towards the common goal of alleviating fuel poverty.</li> </ol> <p><b>C. The project has defined outcomes and the associated actions to achieve them</b> This project has clearly defined outcomes and associated outcomes, the meeting of which will quantify success. Further information on the project's outcomes and associated actions can be found in the relevant section below.</p> <p><b>D. The project goes beyond the activities funded through other price control mechanisms or required by licence obligations</b> We believe that this project goes outside of activities funded through other price control mechanisms due to:</p> <ol style="list-style-type: none"> <li>a) the types of support proposed to be delivered to consumers in vulnerable situations, and</li> <li>b) the method in which this support will be delivered (i.e. through a partner ecosystem approach).</li> </ol> <p><b>E. Not be delivered through other external funding sources directly accessed by a GDN, including through other government (national, devolved, or local) funding.</b> Phase one of the project will be solely delivered with Cadent's VCMA funding.</p>

<p><b>Evidence of Stakeholder/Customer Support</b></p>	<p>Cadent sought a wide range of stakeholder and customer views when shaping its wider strategy for supporting fuel poor households and designing this project specifically.</p> <p><b><u>Wider fuel poverty strategy</u></b></p> <p>Cadent conducted extensive stakeholder engagement to gather the views of organisations on its year one VCMA delivery.</p> <p>With regards to tackling fuel poverty in 2021-2022, Cadent invested approximately £1,000,000.00 of its VCMA allowance in initiatives that explicitly focussed on this form of hardship. Cadent requested the views of stakeholders and customers on where it should focus VCMA funding in 2022-2023 and beyond. 61% of stakeholders supported increased levels of funding for fuel poverty projects.</p> <p>Additionally, one stakeholder commented " <i>We are in the midst of an energy crisis which is likely to continue for the next 18 months to 2 years and will leave clients in very vulnerable situations. Any increase in this support from Cadent would be extremely helpful to fuel poor clients</i>".</p> <p>Alongside stakeholder feedback, Cadent sought the views of customers on the challenges they face now versus the start of the price control.</p> <p>Cadent asked customers for their views on which of the below statements best described their health and financial situation compared to 2021:</p> <ul style="list-style-type: none"> <li>• My current households health or financial situation is worse off compared to 2021.</li> <li>• My current households health or financial situation is the same compared to 2021.</li> <li>• My current households health or financial situation is better off compared to 2021.</li> </ul> <p>Worryingly, 60% of participants responded that their households' health or financial situation was worse off this year compared to 2021 levels.</p> <p>The Energy Diaries research – Customers told us through this piece of extensive fuel poverty research that they are both disengaged and very confused when it came to understanding what support options are available to them. We then engaged with experts such as Citizen's Advice, NEA and a suite of other charities operating in this space to co-create several additional initiatives that Cadent could offer to its customers. This project directly responds to this by creating a platform for bringing these various initiatives into one place</p> <p><b><u>Stakeholder feedback on the Fuel Poverty Partner Ecosystem approach</u></b></p> <p>Cadent and SIA Partners conducted extensive stakeholder consultation in the initial stage of the partner ecosystem project. We wanted to seek stakeholder feedback on:</p> <ul style="list-style-type: none"> <li>• Could the current fuel poverty funding approach (1-2-1 relationship between funder and delivery partner) be improved?</li> </ul>
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	<p>Many stakeholders recognised a value in working more collaboratively to alleviate fuel poverty. Stakeholders that typically fund support for fuel poor households identified issues such as duplication of effort/funding due to work being delivered in silos.</p> <ul style="list-style-type: none"> <li>• What are the current challenges/limitations that organisations face when investing funding to alleviate fuel poverty?</li> </ul> <p>Concerning the challenges that organisations face when funding fuel poverty initiatives, stakeholders reported barriers such as:</p> <ol style="list-style-type: none"> <li>A. The need for customer contributions in some cases, and households' increasing inability to financially contribute.</li> <li>B. Funding partners can be siloed leading to inefficient allocation and minimisation of the total benefit which could be provided from fuel poverty initiatives.</li> </ol> <ul style="list-style-type: none"> <li>• What are the current challenges faced by delivery organisations when directly providing support to fuel poor households?</li> </ul> <p>Many delivery organisations reported challenges currently faced when providing support to fuel poor households. The challenges included:</p> <ol style="list-style-type: none"> <li>A. Customer engagement issues. Organisations reported that the fragmentation of funding can confuse customers, and the funding of generic services/messages can soften the success rate.</li> <li>B. Complexity of cases. Delivery partners reported the scenario whereby households usually get the support offered by the first organisation through the door; this approach limits the customer from receiving a holistic service. Additionally, due to the nature of the crisis, organisations are not focussed on specialisms, yet customers require more specialist support.</li> </ol>
<p><b>Information Required</b></p>	<p><b>Description</b></p>
<p><b>Outcomes, Associated Actions and Success Criteria</b></p>	<p><b><u>Project Outcomes</u></b></p> <p>Cadent and SIA Partners will work collaboratively to design a fuel poverty partner ecosystem. This approach to a new way of working will consider the insight and capabilities of a range of partners including GDNs, DNOs, local authorities, energy suppliers, and national charities.</p> <p>This work aims to achieve the following outcomes:</p> <ul style="list-style-type: none"> <li>• Cadent will obtain an improved understanding on the needs of fuel poor households in 2023 and the current barriers organisations face in supporting those needs.</li> <li>• The project will assess the way in which organisations like regulated utility networks have delivered fuel poverty initiatives in the past. This will lead to a better appreciation of best practice, as well as the limitations that have minimised past benefit.</li> </ul>

- The project will define a potential partner ecosystem structure that defines roles and responsibilities for interested organisation into the categories of Strategic Partner, Delivery Partner, Support Partner.
- The partner ecosystem approach will create a vision for how organisations will collectively deliver support to fuel poor households. This vision will be codesigned and may include outputs such as creating a "one stop shop that delivers fully funded financial, energy efficiency, and low carbon measures to support fuel poor customers".
- The project will ultimately codesign a pilot that will be delivered across an area of Cadent's network in Q2 2023-2024. The pilot will be co-designed with organisations engaged through the stakeholder engagement process, ensuring that the views of the wider industry are considered.
- The project will use the platform of the partner ecosystem to promote wider collaborative working on factors such as the joint evaluation of fuel poverty projects, the informing of regulated energy network business plans, and the reduction of programme duplication.

Overall, the project will achieve the outcome of designing a new way of working that combines funding, expertise, resource, and data to achieve the common goal of effectively tackling fuel poverty in Great Britain.

### **Associated Actions**

Cadent and SIA Partners will perform the following associated actions in order to achieve the project outcomes and success criteria:

- Cadent will obtain insight from up to 30 organisations from across the industry. This insight will be used to help Cadent understand the challenges currently faced by funders, delivery partners, and customers, as well as helping to shape the partner ecosystem approach.
- Cadent and SIA Partners will work with engaged organisation to define roles in the partner ecosystem that best utilise their capabilities.
- Cadent and the partners will codesign a partner ecosystem structure and vision that will be the basis of for the pilot to be delivered across an area of Cadent's network in Q2 2023-2024.
- Partner ecosystem members will share wider best practice on elements such as the joint evaluation of fuel poverty projects, the informing of regulated energy network business plans, and the reduction of programme duplication.

### **Success Criteria**

The project's success will be measured through a variety of metrics including:

	<ul style="list-style-type: none"> <li>• Ensuring that a range of stakeholder insights are obtained and considered when designed the partner ecosystem. These insights will represent the views of funders, delivery partners, support partners, and customers.</li> <li>• The successful design of a partner ecosystem structure that combines funding, resource, expertise, and data from a range of partners from across the industry.</li> <li>• The effective design of a partner ecosystem vision that will be practically tested in a Cadent pilot in Q2 2023-2024.</li> </ul>
<p><b>Project Partners and Third Parties Involved</b></p>	<p>Cadent will principally deliver the project in partnership with energy and utilities consultants at SIA Partners.</p> <p>Cadent and SIA Partners will liaise up to 30 partners from across the industry to seek insight that will help shape the partner ecosystem. Examples of organisations that will be consulted include:</p> <ul style="list-style-type: none"> <li>• The other Great Britain gas distribution networks (GDNs),</li> <li>• Charities such as National Energy Action and Citizens Advice,</li> <li>• Local authorities such as Birmingham City Council,</li> <li>• Energy Suppliers,</li> <li>• Distribution network operators (DNOs),</li> <li>• Water companies,</li> </ul> <p>A portion of these 30 partners will also be engaged with the view to participating in the future stages of the project.</p>
<p><b>Potential for New Learning</b></p>	<p>We believe that this project offers Cadent and the wider industry opportunities for significant learning.</p> <p>Firstly, the project aims to design and ultimately test the benefits of a new way of working through the partner ecosystem approach. As mentioned above, energy networks have traditionally delivered a lot of their fuel poverty initiatives via a 1-2-1 relationship with a single partner. This has resulted in scenarios where the partner has not had the expertise to offer services to serve all of the of the customers' needs or have been unable to use all of their expertise due to restrictions such as regulatory boundaries.</p> <p>The partner ecosystem approach will create a "patchwork" of funding and capabilities that should allow delivery partners to access a range of expertise and not be confined to the usual regulatory boundaries.</p> <p>In order to learn and test this new way of working Cadent and SIA Partners will evaluate the SROI ratio of the pilot and compare it will the SROI of past Cadent fuel poverty initiatives. Our hypothesis is that the trial should show an increased SROI ratio, through the reduction in duplication, economies of scale, and maximising of benefits to individual customers.</p> <p>Secondly, the project will test the compatibility of funding pots and regulation between GDNs and DNOs. The partner ecosystem aims to engage and feature organisations from across the industry, including different types of energy network.</p> <p>DNOs and GDNs have different regulatory incentives and governance documents across GD2 and ED2, and the partner ecosystem project will test an approach that directs different regulatory allowances at a common deliverable. Cadent and SIA Partners aim to capture both</p>

	<p>the benefits and restrictions of this approach, and the outputs will help influence policy debate and business planning for future price controls.</p> <p>Additionally, the project will provide Cadent with learning on how value is apportioned. Cadent has worked with the other GDNs to deliver collaborative Vulnerability and Carbon Monoxide Allowance projects through the first two years of GD2. On these projects, value is typically apportioned based on factors such as the proportion of funding provided by each network company or the split of forecasted outputs by network area. Cadent and SIA Partners aim to apply a more advanced method for apportioning value that takes into account non-financial contributions (e.g. data) and referrals etc.</p>
<p><b>Scale of VCMA Project and SROI Calculations</b></p>	<p><b><u>Scale of VCMA Project</u></b></p> <p>Cadent and SIA Partners will deliver the first phase of the project across six to eight weeks between February and April 2023. The projects aims to design a fuel poverty partner ecosystem that reflects the insight of a range of thirty organisations from across the industry.</p> <p>The partner ecosystem will leverage organisations' capabilities to achieve a set of mutually beneficial outcomes - in this case, the common goal of tackling fuel poverty</p> <p><b><u>SROI Summary</u></b></p> <p>Cadent will invest an initial £62,400.00 of VCMA funding to deliver the first phase of the fuel poverty partner ecosystem project. The first iteration of the project will focus on the gathering of insight and the design of the partner ecosystem approach - direct support to fuel poor customers will be delivered in the second phase of the project in 2023-2024.</p> <p>As such, rather than forecasting the SROI of the initial £62,400.00 investment, Cadent has instead modelled the social return on investment ratio it expects to see in future programmes that implement the partner ecosystem approach. This future ratio is based on a number of factors such as:</p> <ol style="list-style-type: none"> <li>1. The current benchmark SROI achieved by past customer vulnerability initiatives,</li> <li>2. The savings we expect organisations to make by sharing costs such as reporting, project management, and mobilisation, and,</li> <li>3. The maximising of benefit we expect customers to receive through combining expertise, data, funding pots, and regulatory incentives.</li> </ol> <p>As Cadent's principal partner, SIA Partners also evaluated the potential future social return benefits of the partner ecosystem project.</p> <p>From a meta-analysis of sources online<sup>1</sup>, partnership and more collaborative working can expect to deliver 10-30% reductions in cost savings and increases in benefits. By taking a middle point (20%) in this range, SIA Partners has estimated a forecasted uplift in SROI of ~42% from this new way of working.</p>

<sup>1</sup> Institute for Collaborative Working, The Local Government Association, The Chartered Institute of Public Finance and Accountancy (CIPFA).

	<p>This figure was calculated by taking an existing PEA and applying the reduction in costs (covering reduced procurement costs, streamlined processes, and more efficient use of resources) and the increase in benefits (expansion in services offered, reduced duplication leading to higher success rates), to test the difference.</p> <p>As a worked example:</p> <p><b>Previous BAU:</b></p> <ul style="list-style-type: none"> <li>• £100k total costs, of which 16% was management costs.</li> <li>• Project NPV was £134k.</li> <li>• SROI of £1.34 benefits per £ spent.</li> </ul> <p><b>Forecasted uplift:</b></p> <ul style="list-style-type: none"> <li>• Assumptions: A 20% reduction in management costs, and a 20% increase in benefits from the new way of working</li> <li>• £97k total costs, of which 13% was management costs.</li> <li>• An updated project NPV of £184k.</li> <li>• An updated SROI of £1.90 benefits per £ spent (41.7% above BAU).</li> </ul> <p>This 42% increase is the target that the partnership ecosystem aims to achieve, firstly through the pilot and then scaling and applying to Cadent's wider fuel poverty spend. This increase in efficiency is an additional £50k of benefit in the example above, but when applied to Cadent's overall Fuel Poverty spend, there is scope for millions in additional social value.</p> <p>As part of the pilot, we will track and compare how and what the project would have delivered in a BAU environment, but more importantly compare its outcome against a past benchmark of previous VCMA projects, looking for outperformance.</p> <p>While we expect to see the uplift described above, we also expect to enable and see similar benefits for our partners (DNOs, Water Companies, Suppliers, etc.). These benefits will be harder to measure, but the pilot will look to establish baselines and size this wider, whole system impact as part of the work.</p>
<p><b>VCMA Project Start and End Date</b></p>	<p>Project Start Date: February 2023 Project End Date: April 2023</p>
<p><b>Geographical Area</b></p>	<p>The outputs of the first phase of the project will be applied to a pilot on Cadent's gas distribution network. However, the learning gained, and the approach designed will be transferable to future fuel poverty projects across the country.</p>
<p><b>Remaining Amount in the Allowance at Time of Registration</b></p>	<p>To be confirmed following Director of Sustainability and Social Purpose sign-off.</p>

## Gas Network Vulnerability and Carbon Monoxide Allowance (VCMA) Governance Document - PEA Control Table

In order to ensure that a VCMA project is registered in accordance with the Ofgem VCMA governance document (incl. project eligibility assessment), the below table should be completed as part of the project registration process.	
Stage 1: Sustainability and Social Purpose Team PEA Peer Review	
Date Immediate Team Peer Review Completed: 17/03/2023	Review Completed By: Kate Clarke
Stage 2: Sustainability and Social Purpose Team Management Review	
Date Management Review Completed: 20/03/23	Review Completed By: Phill Burrows
Step 3: Director of Sustainability & Social Purpose Sign-Off: Mark Belmega	
Director of Sustainability and Social Purpose Sign-Off Date: 21/03/23	
Step 4: Upload PEA Document to the Website & Notification Email Sent to Ofgem ( <a href="mailto:vcma@ofgem.gov.uk">vcma@ofgem.gov.uk</a> )	
Date that PEA Document Uploaded to the Website: March 23	
Date that Notification Email Sent to Ofgem: March 23	