

Vulnerability & Carbon Monoxide Allowance (VCMA)

Project Eligibility Assessment (PEA)

Pilot Scheme to Reduce Fuel Poverty for Gas Consumers in North London

Edward Allard
Customer Safeguarding Manager
June 2021



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

Section 1 - Eligibility criteria for company specific projects (other than condemned essential gas appliance repair and replacement)	
In order to qualify as a VCMA project, a project must:	
VCMA Eligibility Criteria	Criteria Satisfied (Yes/No)
a) Have a positive, or forecasted positive Social Return on Investment (SROI), including for the gas consumers funding the VCMA project;	Yes
b) Either: <ul style="list-style-type: none"> i. Provide support to consumers in vulnerable situations, and relate to energy safeguarding, or ii. Provide awareness on the dangers of CO, or iii. Reduce the risk of harm caused by CO; 	Yes - satisfies all 3 criteria
c) Have defined outcomes and the associated actions to achieve these;	Yes
d) Go beyond activities that are funded through other price control mechanism(s) or required through licence obligations; and	Yes
e) Not be delivered through other external funding sources directly accessed by a GDN, including through other government (national, devolved or local) funding.	Yes
Section 2 - Eligibility criteria for company specific essential gas appliance servicing, repair and replacement projects	
In order to qualify as a VCMA project, unsafe pipework and essential gas appliance servicing, repair or replacement must meet the following criteria:	
a) 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;	N/A
b) The household cannot afford to service, repair or replace the unsafe pipework or essential gas appliance; and;	N/A
c) 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.	N/A

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

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

Information Required	Description
Project Title	Pilot Scheme to Reduce Fuel Poverty for Gas Consumers in North London (Auriga)
Funding GDN(s)	Cadent - North London network
Role of GDN(s) *For Collaborative VCMA Projects only	Not applicable - Company specific project
Date of PEA Submission	4 th January 2022
VCMA Project Contact Name, email and Number	Name: Phil Burrows, Email: phil.m.burrows@cadentgas.com Number: 07773 545451
Total Cost (£k)	£50,000
Total VCMA Funding Required (£k)	£50,000
Problem(s)	<p><u>Whilst there are a number of well funded and effective schemes supported by organisations, charities and the UK Government, through our ongoing engagement with customers and our strategic safeguarding partners, we have identified a number of gaps, where customers are clearly in need of additional support, but do not qualify against the eligibility criteria of these different schemes.</u></p> <p>This project is aimed to address that, in particular focussing on customers living in fuel poverty in our North London network, where the problem seems to be the greatest.</p> <p><u>Fuel poverty in North London</u></p>

Within our North London network, 15.1% of households live in fuel poverty. This is much higher than the national average of 13.1% indicating that customers on our North London network are disproportionately impacted by fuel poverty.

The effects of fuel poverty have been exacerbated by the COVID-19 pandemic, with many households seeing their incomes reduced through job losses and furlough. This with increasing energy prices has meant that many households have been left worse off.

This project will target North London households living in, or at risk of living in fuel poverty by working with our expert partner, Auriga.

Auriga are helping customers become aware of opportunities to claim previous unclaimed benefits and we are supporting them with funding and awareness of energy efficiency / gas safety advice so that through their work customers benefit financially, allowing them access to affordable heat.

Unclaimed benefits

The Department of Work & Pensions (DWP) manages the range of financial support available through the UK benefits system. This includes the granting of benefits applications and advertising the support on offer to millions of households across the country.

However, a large number of customers are not aware of, or do not have the means to claim the financial support that they are entitled to.

2017/2018 statistics from the Department of Work & Pensions reports that nearly £16 billion of benefits go unclaimed in the UK each year. The statistics also break down the number of eligible households that make up the total £16 billion. These include:

- 670,000 families not claiming child tax credits, amounting to a total value of £2,490,000,000.
- 1,060,000 households not claiming pension credits, equating to a total value of £2,160,000,000.
- 950,000 households not claiming working tax credits, amounting to a total value of £2,540,000,000.

The DWP point to a variety of reasons for this vast unclaimed amount, but primarily attribute the issue

	<p>to many families not knowing what support they are entitled to. Other issues include varying rules and the complex different types of benefits available. This can often confuse and alienate those who need them.</p> <p>Finally, the time and effort required to fill in applications can lead to household feeling apprehensive in making claims.</p> <p>This project will look to address the issue of unclaimed benefits through engaging potentially eligible customers and supporting them through the application and claims processes.</p>
<p>Scope and Objectives</p>	<p><u>Project scope</u></p> <p>This project will run in partnership with Auriga Services Ltd. Auriga are a public benefit entity and support customers across the country living in poverty and debt.</p> <p>The project will run between June 2021 and April 2022, aiming to support between 150-200 North London households with income maximisation services.</p> <p>Cadent and Auriga forecast that each household supported through the project will receive an average benefit of £2,400 in the first year. This is based on Auriga's experience of operating in this manner for a number of years.</p> <p><u>Project objectives</u></p> <p>The project has several objectives. Cadent will evaluate the success of the project against the achievement of these objectives.</p> <ul style="list-style-type: none"> • The project will support between 150-200 fuel poor households in North London across the project duration. • The project will deliver a positive social return of between £5 - £10 for every £1 invested. Customers stand to receive at least £360,000 in financial benefit. • As well as support with benefit entitlement checks and claims support, Auriga will also support customers with debt management advice. • Customers supported through the project will also receive home energy advice, particularly

	<p>on the areas of metering, tariffs switching and efficiency.</p>
<p>Why the Project is Being Funded Through the VCMA</p>	<p>We believe this project meets all of the company specific VCMA criteria:</p> <ul style="list-style-type: none"> a. Have a positive, or a forecasted positive, Social Return on Investment (SROI) including for the gas consumers funding the VCMA Project; <p>We believe this project has the deliverables necessary to create a positive social return on investment - see the below section for more details.</p> <ul style="list-style-type: none"> b. Either: <ul style="list-style-type: none"> i. Provide support to customers in vulnerable situations and relate to energy safeguarding, or; ii. Provide awareness on the dangers of CO, or; iii. Reduce the risk of harm caused by CO. <p>This project will provide support to customers in vulnerable situations and relate to energy safeguarding. This will be achieved through engaging fuel poor households that are eligible for currently unclaimed benefits. The project will provide these households with income maximisation, benefit entitlement and energy advice support.</p> c. Have defined outcomes and the associated actions to achieve these; <p>This project has clearly defined actions 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> <ul style="list-style-type: none"> d. Go beyond activities that are funded through other price control mechanisms or required through other licence obligations; <p>The partnership with Auriga and the provision of financial support to customers through Auriga's services goes beyond activities that Cadent receive funding for through other price control deliverables. This new holistic approach to tackling fuel poverty demonstrates innovation.</p>

	<p>e. Not be delivered through other external funding sources directly accessed by a GDN, including through other government (national, devolved, or local) funding;</p> <p>This project will be delivered solely with VCMA funding and a clear structure will be in place to ensure that all aspects of the project are allocated against the VCMA funding.</p>
<p>Evidence of Stakeholder/Customer Support</p>	<p>Cadent's ¹independent customer engagement group report for its RIIO-GD2 business plans contains feedback on a variety of proposals, including Cadent's ambitions for tackling fuel poverty.</p> <p>The report supported Cadent's holistic approach to tackling fuel poverty, whereby a household is supported with a combination of services/advice.</p> <p>The CEG recognised the need for a holistic approach that supports a household with its fuel prices (FPNES), energy efficiency (advice/repair and replacement) and household income (income maximisation).</p> <p>The Auriga North London project will allow Cadent to support its North London customers with a holistic approach to tackling fuel poverty, through increasing the available household income to spend on home heating.</p> <p>Evidence suggests that fuel poverty and higher risk of exposure to carbon monoxide are closely linked. Customers living in fuel poverty may be unable to afford the annual cost of gas appliance servicing or the purchasing of audible alarms.</p> <p>Cadent's RIIO-GD2 business plan ²formations found that our customers prioritise safety above all other considerations. In particular, our customers strongly highlighted the importance of safeguarding the most vulnerable in society.</p> <p>Part of the rationale behind investing in this project is that the additional household income (an average of £2,400) realised through this project will allow households to stay warmer and safer at home.</p>
<p>Outcomes, Associated Actions and Success Criteria</p>	<p><u>Project outcomes</u></p>

¹ <https://cadentgas.com/nggdwsdev/media/Downloads/business-plan/Cadent-CEG-report-with-appendices.pdf>

² https://cadentgas.com/nggdwsdev/media/Downloads/business-plan/APP_CAD_07-03-10-CO-Awareness.pdf

The project aims to provide customers with income maximisation, debt management and home energy efficiency advice to achieve the following outcomes:

- Between 150-200 households realise additional income of £2,400 on average in year one.
- Between 150 - 200 households receive energy advice, allowing them to manage their fuel spend, increase their home's energy efficiency, and clear any fuel debt.
- North London households supported through the project will report increased feeling of comfort, safety, and reductions in stress.
- The project will deliver a positive social return of between £5 - £10 for every £1 invested. Customers on the project will receive at least £360,000 in financial benefit.

Associated actions

- Cadent will provide Auriga services with £50,000 VCMA funding to deliver the project between June 2021 - June 2022.
- Auriga will utilise the funding to operate an income maximisation, debt management and energy advice service targeting Cadent's North London customers.
- Customers will be identified through social mapping and Auriga's links into other data e.g. Thames Water social mapping and historic benefits claimants data.
- Auriga will engage customers with systematic comms in the form of texts and letters.
- Auriga will support customers with benefit entitlement checks and claims support, as well as management of debt and home energy advice.

Success Criteria

The success of the project will be evaluated against the meeting of the project's objectives. These objectives include:

- 150-200 households will realise additional income of £2,400 on average in year one.

	<ul style="list-style-type: none"> • 150 - 200 households will receive energy advice, allowing them to manage their fuel spend, increase their home's energy efficiency, and clear any fuel debt. • Households supported through the project will report increased feeling of comfort, safety, and reductions in stress. • The project will deliver a positive social return of between £5 - £10 for every £1 invested. Customers on the project will receive at least £360,000 in financial benefit.
<p>Project Partners and Third Parties Involved</p>	<p>The project's principal partner will be Auriga Services Ltd.</p> <p>As part of the project, Auriga will be encouraged to utilise their network of existing partners/customers to offer additional services based on the needs of the customers identified.</p>
<p>Potential for New Learning</p>	<p>This project will offer Cadent the opportunity of gaining numerous potential new learnings:</p> <ol style="list-style-type: none"> 1. Stakeholder feedback as part of Cadent's customer engagement group supported a holistic approach to tackling fuel poverty. This project will deliver several services to engaged households including income maximisation, benefit entitlement checks, energy advice and debt management. This project will trial this approach and offer Cadent insight on customer's receptiveness and social value created. 2. Part of the project's delivery focuses on engagement of customers that are potentially eligible for benefits but are not claiming their entitlement. Auriga proposes to engage customers that have previously claimed benefits, or those that are on Thames Water's social tariffs register. This approach will test the success of engaging customers that have previously been eligible, giving Cadent learning on the benefit versus reaching new customers.
<p>Scale of VCMA Project and SROI Calculations</p>	<p><u>Scale of VCMA Project</u></p> <p>The project aims to support between 150 - 200 North London customers living in fuel poverty across a 12-month duration.</p>

	<p>The project's customers will receive support with income maximisation, debt management, benefit entitlement checks and energy advice.</p> <p><u>Social return investment calculations</u></p> <ul style="list-style-type: none"> • <u>The average household will become £2,400 better off based on experience from Auriga. Multiplying this by 150 households (minimum reach) equates to a SROI benefit of £360,000.</u> • <u>Investment = £50,000</u> • <u>Therefore net SROI is £310,000</u> <p>Cadent's project partner Auriga Services Ltd have SROI evaluation expertise within their organisation and have produced an SROI forecast using this knowledge.</p> <p>A full SROI evaluation will be produced on the project's completion based on actual, rather than forecasted realised income.</p> <p>The project will also provide the non-financial benefits of:</p> <ul style="list-style-type: none"> • Financial comfort; • Relief from anxiety and depression/reductions in stress; • Independent living and a feeling of control of life; • Confidence in future; • Income uplift.
<p>VCMA Project Start and End Date</p>	<p>Project start date: 01/06/2021 Project end date: 01/06/2022</p>
<p>Geographical Area</p>	<p>The VCMA funded project will take place across North London network.</p> <p>Particular focus will be given to supporting homes situated in locations with higher levels of deprivation & fuel poverty. Additional attention will also be given to areas where a greater need for this project is identified.</p>
<p>Remaining Amount in the Allowance at Time of Registration</p>	<p>N/A at this stage</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 & Social Purpose Team PEA Peer Review	
Date Immediate Team Peer Review Completed: 01/02/2022	Review Completed By: Gemma Norton
Stage 2: Sustainability & Social Purpose Team Management Review	
Date Management Review Completed: 01/02/2022	Review Completed By: Phil Burrows
Step 3: Director of Sustainability & Social Purpose Sign-Off	
Director of Substantiality & Social Purpose Sign-Off Date: 08/03/22	
Step 4: Upload PEA Document to the Website & Notification Email Sent to Ofgem (vcma@ofgem.gov.uk)	
Date that PEA Document Uploaded to the Website: March 2022	
Date that Notification Email Sent to Ofgem: March 2022	