

Vulnerability & Carbon Monoxide Allowance (VCMA)

North West Pharmacy Bag Campaign 2022-2023

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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
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	North West Pharmacy Bag Campaign 2022-2023
Funding GDN(s)	Cadent North West network - company specific project
Role of GDN(s) *For Collaborative VCMA Projects only	Not applicable - Cadent company-specific project
Date of PEA Submission	December 2022
VCMA Project Contact Name, email and Number	Name: Phil Burrows Title: Head of Customer Vulnerability Social Programme Delivery Email: Phil.m.burrows@cadentgas.com Number: 07773 545451
Total Cost (£k)	VCMA funding equals £21,000.00 which will be split evenly between Cadent, Electricity North West (ENW) and United Utilities (UU).
Total VCMA Funding Required (£k)	£7,000.00
Problem(s)	<p>Cadent are aware that there many of its customers in vulnerable situations that have additional needs and require extra support.</p> <p>A customer in a vulnerable situation is someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a company is not acting with appropriate levels of care. Customers in vulnerable situations can often be disproportionately impacted by energy networks' action or inaction.</p> <p><u>PSR Awareness</u></p> <p>The Priority Service Register (PSR) holds valuable information on the most vulnerable people and is used by Electricity North West , United Utilities and Cadent. It captures the customers details and why they are vulnerable.</p> <p>The utilities networks face challenges in ensuring all eligible customers are aware and signed up the PSR. This is reflected by the networks' current registration rates versus total customer numbers. Low registration rates can be attributable to a number of factors including low awareness and customers' wariness of being sold products.</p> <p>Cadent, United Utilities and Electricity North West want to raise awareness in order to keep their customers safe during any outages and have partnered with pharmacies from across the Northwest to publicise information on the PSR's benefits and registration process.</p> <p><u>Fuel Poverty</u></p> <p>Due to the cost-of-living crisis, many of our customers are also struggling to heat their homes to a healthy temperature and are living in fuel poverty.</p>

	<p>Based on the government's latest fuel poverty statistics, 14.6% of Northwest households (in excess of one million people) are currently living in fuel poverty. This compares unfavourably to a national average of 13.4%.</p> <p>The longer-term outlook for many customers continues to look bleak. It is projected that in 2023, fuel poverty will increase nationally to 14.4 per cent (3.53 million) with the average fuel poverty gap rising by 31% in real terms to £443 (in 2022 prices).</p> <p>As well as financial pressure, fuel poverty can have many adverse effects on the health of residents living in this form of hardship. For example, a recent National Energy Action article listed the following negative impacts:</p> <ul style="list-style-type: none"> • Households can adopt unsafe energy rationing practices. • 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. <p>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 £1,897,129.00.</p> <p>Cadent, Electricity North West and United Utilities aim to support households living in fuel poverty by targeting pharmacy users with energy efficiency information.</p>
<p>Scope and Objectives</p>	<p><u>Project Scope</u></p> <p>Cadent will provide £7,000.00 of VCMA funding to deliver an eight-week project that supplies North West pharmacies with full colour information prescription bags.</p> <p>The prescription bags will be designed to include information on in-home energy efficiency and the PSR. Additionally, the pharmacy bags will be accompanied by information leaflets that reaffirm the utility networks' messaging. The project costs £21,000.00 in total and will be split evenly between the three utility networks.</p> <p>The pharmacy bags and leaflets will be distributed via pharmacies across the Northwest, and the utility networks believe that this approach will achieve greater targeting of demographics that stand to benefit most from the PSR and energy efficiency messaging; such demographics may include the elderly, people living with long term illnesses, and low income households (there are links between health and employment status).</p> <p><u>Project objectives</u></p> <p>Cadent will measure the success of this project against the achievement of the following objectives:</p>

	<ul style="list-style-type: none"> • 700,000 bags will be distributed to pharmacy customers across the eight-week duration of the projects. • 105,000 supporting information leaflets will be displayed in pharmacies and distributed to customers across the eight-week duration of the project. • The utility networks aim for the branded pharmacy bags and leaflets to be seen by 2,537,500 customers. This is based on a forecast for the number of items distributed, the average UK household size, and the footfall through the Northwest pharmacies that will have an opportunity to see the literature whilst displayed. <p>Through achieving these objectives, the utility networks believe that they will witness an increase in PSR registrations in the communities that the pharmacies are situated. Additionally, customers will increase their awareness of simple energy efficiency tips that will help them better manage their fuel bills.</p>
<p>Why the Project is Being Funded Through the VCMA</p>	<p>We believe that the project meets all of the Vulnerability and Carbon Monoxide Allowance eligibility criteria:</p> <ol 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: We believe that the project delivers a positive forecasted social return on investment. This is based on achieving the target for number of pharmacy bags and leaflets distributed and the resulting positive actions taken by a proportion of customers. b. The project will either: <ol style="list-style-type: none"> i. Provide support to consumers in vulnerable situations and relate to energy safeguarding, or, ii. Provide awareness of the dangers of CO, or, iii. Reduce the risk of harm caused by CO; The project delivers services provide support to consumers in vulnerable situations and relate to energy safeguarding. For example, households reached through the project will receive information designed to improve their awareness on the benefits and the process to register to the PSR. Additionally, customers will receive energy efficiency advice. c. Have defined outcomes and the associated actions to achieve these: The utility networks have worked with North West pharmacies to define clear project outcomes and have agreed the associated actions to deliver them. Further detail can also be found below. d. Go beyond activities that are funded through other price control mechanism(s) or required through licence obligations, and, This method of delivering support to customers in vulnerable situations falls outside of Cadent's BAU activities and other licence conditions. e. Not be delivered through other external funding sources directly accessed by a GDN, including through other government (national, devolved or local) funding,

	<p>This project will be solely delivered through Cadent's VCMA funding.</p>
<p>Evidence of Stakeholder/Customer Support</p>	<p>Cadent has sought the views of a wide range of stakeholders to support its strategy for shaping VCMA projects. For instance, Cadent conducted extensive stakeholder engagement to gather the views of organisations on its year one VCMA delivery.</p> <p>Cadent obtained stakeholder feedback on individual projects (e.g. the distribution of information on the PSR through printed literature) and categories of activities (e.g. tackling affordability and fuel poverty).</p> <p>With regards to categories of activities, tackling affordability and fuel poverty saw the highest percentages of support for increasing funds, with 61% of stakeholders and 43% of customers supporting an increase in funding when compared to 2021-2022 levels.</p> <p>When looking at specific projects from the first year of VCMA delivery, 78% of stakeholders and customers supported an increase in funding in projects that raise awareness on the services offered by energy networks like Cadent. One customer (aged 60-69) commented " <i>The end user needs to be kept informed of your services, something that a lot of people are not aware of</i>".</p> <p>Finally, 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"> • My current household's health or financial situation is worse off compared to 2021. • My current household's health or financial situation is the same compared to 2021. • My current household's health or financial situation is better off compared to 2021. <p>60% of participants responded that their households' health or financial situation was worse off this year compared to 2021 levels.</p> <p>Overall, Cadent feels it has obtained strong stakeholder feedback that provides justification to fund this project.</p>
<p>Information Required</p>	<p>Description</p>
<p>Outcomes, Associated Actions and Success Criteria</p>	<p>The partnership with UU and ENW will reach many vulnerable customers who visit their pharmacy or receive medication once a month.</p> <p><u>Project Outcomes</u></p> <p>Utilising combined funding from Cadent, Electricity North West and United Utilities, North West based pharmacies will advertise and distribute 700,000 pharmacy bags and 105,000 supporting leaflets to pharmacy clients. The pharmacy bags and supporting leaflets will promote the utility networks' messaging on the PSR and energy efficiency.</p> <p>The display and distribution of the pharmacy bags and leaflets will achieve the following project outcomes:</p>

	<ul style="list-style-type: none"> • Approximately 2,537,500 customers will have the opportunity to see the messaging contained on the pharmacy bags and supporting leaflets. • Northwest households will improve their understanding on the benefits and the process to register to the PSR. • Northwest households will improve their awareness of energy efficiency techniques, helping them to better manage their fuel bills and stay warm at home. <p>Cadent has applied a success rate to the account for the likelihood of customers engaging with the literature and retaining the messaging (see social return on investment section)</p> <p><u>Associated Actions</u></p> <p>Cadent and its project partners will perform the following associated actions in order to achieve the project outcomes and success criteria:</p> <ul style="list-style-type: none"> • Cadent will provide VCMA funding and approved content to enable the design, production, and distribution of 700,000 pharmacy bags and 105,000 supporting leaflets. The content will be sourced from partners such as the Energy Saving Trust. • Electricity Northwest and United Utilities will perform similar actions to ensure that the pharmacy bags contain holistic messaging. • The utility networks' pharmacy partners will promote the supporting leaflets and distribute the pharmacy bags across the eight-week duration of the project. <p><u>Success Criteria</u></p> <p>The success of the project will be measured against meeting the below criteria:</p> <ul style="list-style-type: none"> • The project will reach approximately 2,537,500 (number of people extremely likely to see the bags). • Using a 1% retention rate, 25,275 customers will engage with, understand, and retain information regarding the PSR and energy efficiency tips. Cadent have cited a 1% retention rate based on insight from advertising agency partners that possess significant experience in analysing the engagement rates of various forms of media. • The utility networks will witness an increase in PSR registration in the areas where the Northwest pharmacies are located. • Customers reached through the project will improve their understanding of energy efficiency behaviours, resulting in households improving their management of their fuel bills.
<p>Project Partners and Third Parties Involved</p>	<p>Cadent will principally deliver the project in partnership with Electricity North West and United Utilities.</p>

	<p>The utility networks will utilise a network of Northwest based pharmacies to distribute the PSR and energy efficiency literature.</p>
<p>Potential for New Learning</p>	<p>We believe that this project offers Cadent the opportunity for new learning in various areas.</p> <p>For example, gas distribution networks and distribution network operators like Cadent and Electricity Northwest often report challenges in customer engagement due to their roles in the energy industry. Water companies such as United Utilities have a more direct relationship with a customer due to their role in the billing process.</p> <p>Cadent believes that the project's joint branding with United Utilities will increase the rate in which customers engage. The Northwest Pharmacy Bags project will offer Cadent insight on the success of this approach when compared to the benchmark of past Cadent-only projects.</p> <p>Cadent also believes that the inclusion of health-based delivery partners will offer significant learning. The utility networks hypothesis is that there are links between pharmacy users and the customers who stand to benefit most from the project's key messaging. The delivery of the project across 300 pharmacies will test this theory and help shape future VCMA projects based on its success.</p>
<p>Scale of VCMA Project and SROI Calculations</p>	<p><u>Scale of VCMA Project</u></p> <p>Cadent will invest £7,000.00 in partnership with Electricity Northwest and United Utilities to deliver an eight week project across the North West. Literature on the PSR and energy efficiency advice will be distributed through 300 pharmacy locations, aiming to reach 2,537,500 customers.</p> <p><u>SROI Summary</u></p> <p>Investment = £7,000.00 5-year social return on investment = £2,157,919.40 1-year social return on investment = £425,783.88 5-year gross present value = £2,163,919.40 1-year gross present value = £432,783.88</p> <p>Cadent has conducted its own research and has worked with specialist from energy and utilities consultants at SIA Partners to evaluate the gross present value generated by activities typically funded through the VCMA. This work has produced a bank of five-year average gross present values that incorporate financial, environmental, and societal benefits of VCMA activities.</p> <p><u>5-year gross present value created by registration to the priority services register</u></p> <p>Cadent's work with SIA Partners calculated an average 5-year gross present value of £143.89 per registration to the PSR. This value was based on a customer's reduction in stress during a utilities outage.</p> <p>All of the project's information on the PSR will be issued in the form of printed literature, and customers will not be supported to register to the PSR by pharmacy staff at the point of receiving the pharmacy bag/leaflet. As such, Cadent has modified the success rate of its social value calculations to account for the method in which the information is distributed, and the likelihood of a customer already being registered to the PSR.</p>

	<p>Cadent has applied a conservative 1% success rate to account for the likelihood that a customer will engage with, understand, and retain the information contained on the project's literature.</p> <p>2,537,500 customers will have the opportunity to see the PSR literature over the course of the project. We forecast that 25,375 customers will retain the information and take action based on a 1% success rate.</p> <p>Additionally, Cadent has accounted for the customers that will already be registered to the PSR (the benefit cannot be claimed twice). Based on the conservative nature of the 1% success rate for engagement and the fact that the project's audience (pharmacy users) may have a higher-than-average existing PSR registration rates, Cadent has forecasted that 50% of customers may already be registered to the PSR. This equates to a forecasted 12,688 registration, or £1,825,676.32 in gross present value.</p> <p>Cadent has funded one third of the project's costs and can therefore claim the same proportion of social benefit. As such, Cadent's share of the 5-year gross present value created by PSR registrations is £608,558.77.</p> <p><u>5-year gross present value of issuing energy efficiency advice</u></p> <p>Cadent's work with SIA Partners calculated an average 5-year gross present value of £367.77 per efficient use of appliances and behaviours conversation. This value is based on a number of factors including average savings from Energy Savings Trust, reductions in negative impacts of cold weather on customer's health, and carbon emissions savings.</p> <p>All of the project's information on energy efficiency will be issued in the form of printed literature across a large and varied area of the Northwest. As such, the advice contained on the literature is aimed at common challenges faced by households, rather than tailored advice to individual customers. As such, Cadent has modified the success rate of its social value calculations to account for the method in which the information is distributed, and the likelihood of the information being used.</p> <p>Cadent has applied a conservative 0.5% success rate to account for the likelihood that a customer will engage with, understand, and retain the information contained on the project's literature. 2,537,500 customers will have the opportunity to see the energy efficiency literature over the course of the project. We forecast that 12,687.5 customers will retain the information and take action based on a 0.5% success rate.</p> <p>12,687.5 customers each receiving a social benefit of £367.77 equates to a total 5-year gross present value of £4,666,081.88. Cadent has funded one third of the project's costs and can therefore claim the same proportion of social benefit. As such, Cadent's share of the 5-year gross present value created by PSR registrations is £1,555,360.63</p>
<p>VCMA Project Start and End Date</p>	<p>Project Start Date: December 2022 Project End Date: February 2023</p>
<p>Geographical Area</p>	<p>The project will be delivered in Cadent's Northwest network.</p>

Remaining Amount in the Allowance at Time of Registration	To be confirmed upon receipt of Director of Sustainability and Social Purpose sign-off.
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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: December 2022	Review Completed By: Edward Allard - Social Programmes Manager
Stage 2: Sustainability and Social Purpose Team Management Review	
Date Management Review Completed: 10/03/23	Review Completed By: Phil Burrows
Step 3: Director of Sustainability and Social Purpose Sign-Off: Mark Belmega	
Director of Sustainability and Social Purpose Sign-Off Date: 14/03/23	
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 2023	
Date that Notification Email Sent to Ofgem: March 2023	