Vulnerability & Carbon Monoxide Allowance (VCMA) Strategy

WALES&WEST UTILITIES

Contents

1. Background

This Vulnerability and Carbon Monoxide Allowance (VCMA) strategy supports the Wales & West Utilities (WWU) Sustainability Strategy and our Business Plan commitments.

In our RIIO GD2 Business plan, we committed to going above and beyond our Licence Requirements through support to households to tackle fuel poverty, repair and fix broken appliances, promote the PSR and raise awareness of Carbon Monoxide and provide free Carbon Monoxide (CO) monitors to homes. The VCMA is the mechanism which was developed with Ofgem and stakeholders to allow this to happen.

The Wales & West Utilities Sustainability strategy looks at how the company will be sustainable looking towards 2050. This includes commitments to keep supporting customers beyond our core Licence requirements, working with schools to educate future generations, and guiding homes through the UK energy transition.

1) About the Vulnerability & Carbon Monoxide Allowance (VCMA)

a) What is it?

The VCMA enables the Gas Distribution Networks (GDNs) to deliver additional services and initiatives to support vulnerable customers with fuel poor and CO safety initiatives.

The original funding of £60m[1] was made available to the GDNs at the start of GD2. Each GDN has been allocated an amount of the allowance based upon the proportion of gas consumers its supplies

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[1] 2018/19 prices

(WWU's share is just under 12% equating to £7m[2]). At least 25% of the allowances must be spent on collaborative projects.

Reallocation of allowances from the Fuel Poor Network Extension Scheme to the VCMA in July 2023, increased the overall funding for the VCMA to £171m[3]. Each GDN will be allocated a proportion of the additional allowance, which is £111 million[4]. This will be adjusted in line with inflation and WWU's overall allowance has now increased to £20m[5].

b) How do we use it?

VCMA is a 'Use It or Lose It' (UIOLI) Allowance and must be used between April 2021 and March 2026, within RIIO-GD2. As a responsible GDN, we must be able to demonstrate that the money has been spent well with a positive Social Return on Investment (SROI) and has targeted those who are most in need. Projects are registered with Ofgem through Project Eligibility Assessments and annual reporting and showcase events allow demonstration of strategy and how the money has benefited customers.

2) Guidelines and Regulation

Ofgem has published a VCMA Governance Document which sets out the regulation, administration, and governance of the VCMA. The document also states that the GDNs must hold an annual showcase event demonstrating VCMA activities in line with regulations.

The updated governance document can be found below:

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[2] 2018/19 prices
[3] 2018/19 prices
[4] 2018/19 prices
[5] 2018/19 prices

[Gas Network Vulnerability and Carbon Monoxide Allowance (VCMA) Governance Document (ofgem.gov.uk)](#)

2. Ambition and Approach

Our ambition forms the foundation of all VCMA related activities.

"To provide additional support that go above and beyond our obligations, reaching and safeguarding the most vulnerable people both now and in the future, by creating a strategic network of partnerships to help individual households, small businesses and communities tackle fuel poverty, energy affordability and by improving accessibility to free support services."

Our strategy and approach have been developed and influenced by engagement with our key stakeholders and taking into consideration insight on our customers' prioritisation of our current business plan commitments.

We will continue to establish and maintain partnerships with trusted organisations, who are already embedded within our communities, to help support some of the most vulnerable people in our area.

Our Ambition
Strategy and Approach

Analyse & Identify	Engage	Collaborate	Deliver	Facilitate	Evaluate & Report

Identifying Needs and Solutions
Project Delivery
Evaluation and Reporting

Our approach consists of six key areas:

Analyse & Identify: Knowing _who_ needs support and _when_, _what_ support is needed and _why_, _where_ it is available and _how_ it can be accessed.

Engage: Understanding what support our communities want and what the need of customers is

Collaborate: Using trusted organisations to deliver support services that go above and beyond our BAU activities to meet customers' needs

Deliver: Funding the provision of a suite of tailored services that addresses vulnerability and fuel poverty through our network of sustainable partnerships and our own employees

Facilitate: Giving colleagues the skills to identify those most in need and how to access support and referral pathways for customers in vulnerable situations

Evaluate & Report: Ensuring the delivered services have the intended impact and remain the most suitable approach. Report both social and financial outcomes through RRP, annual reports, case studies and showcase events using learning to inform and improve future projects.

3. Analyse, Identify and Engage

Customers needs can change quickly based upon the economic and social factors and new legislation and regulations. In order to understand what the needs of our customers are, and how, as GDNs we can help to address those needs, we gather insight from multiple sources:

3.1 Engagement

- Engagement with groups such as Citizens Advice, National Energy Action, charities, national and local government, APPCOG helping us to understand current need, trends in demands on services and to predcit future need
- Trusted experts and partnerships including our Independent Stakeholder Group (ISG), Critical Friends panel and other stakeholders who enable

us to test our approach and commitments and to further develop our services and ambition

- Joint network forums and Ofgem led groups bringing together network companies, suppliers to focus on serving vulnerable customers – we will also be exploring how we can work more effectively for common goals with the DNO and water Companies in our area
- Citizens panel: this group of customers from across our network are used to test our commitments and to help develop our future plans
- Colleague insight: Our colleagues live and work in our communities and hence have great insight into their needs. Our Championship Cup creates competition across our network and challenges our colleagues to look at innovative ways to improve customer service, but also to identify need and kick start new partnerships in their areas

3.2 Data

- Demographic insight and research using Office of National Statistics (ONS) data and the Gas Supplier Priority Services Register
- Reports and dashboards from organisations including NEA, Citizens Advice, Institute of Customer Service

We will be using fuel poverty insight and demographic data such as ONS, Welsh Government data, and tools which overlay multiple set of data, such as the NEA and Egnida Vulnerability visualisation tool developed with NIA funding to deliver our projects.

Appendix A shows some examples of data that allows us to prioritise our targeting.

3.3 Legislation and Regulation

We keep abreast of legal and regulation changes which relate to fuel poverty, energy costs, and Carbon Monxoide through our stakeholders and via our Regulation team.

3.4 Supporting the most vulnerable groups

At least 24% of the 2.5 million homes we supply have additional needs that we must tailor our services to. We know these needs can be complex with some customers having multiple factors impacting their lives at the same time and we use the information from the Priority Services Register (PSR) to help inform the level of support provided.

The definition of vulnerability is very broad and what the PSR doesn't give us is financial vulnerabilities. While we look to support any home on the Priority Service Register or that is eligible, we will use VCMA funds to support a subset of vulnerable groups to provide financial support linked to energy:

- People living in less affluent areas, in poor housing and in financial difficulty either in or at risk of fuel poverty – includes coastal and rural communites with seasonal work
- Customers who are at a risk from cold damp homes, including older customers and those with serious health conditions – Welsh Housing stock is the oldest in the UK
- People in vulnerable situations, including those with specific needs including mental health and sensory loss
- Digitally and culturally excluded groups

4. Collaborate

To have the greatest impact in supporting these groups, we work with partners who represent and support these communities to co-create projects tailored to meet particular needs. Examples include our partnerships with Maggies Cancer Centres, Kidney Network UK and NHS Wales, and carers groups.

Where a partner project has the potential to become a wider UK project, we will take proposals to the GDN steering groups to assess, support and assist in building a GDN collaborative project.

We strive to have a portfolio of projects that align to the population and needs of our four geographical areas of North Wales, South Wales, South West (Cornwall, Devon and Somerset) and Central (Bristol, Gloucestershire and Wiltshire)

We have built projects that deliver the following key services to customers and align to our key strategic pillars:

- **Fuel Poverty and Energy Affordability:**
    - This funding enables partners to provide fuel voucher support to customers to keep the heating on in the short term, and enables further discussions which lead to long term changes
    - Keep Warm packs include items which help to keep the person warm if they are worried about switching the heating on or running appliances which contribute towards additional energy costs
    - Accessing unclaimed benefits
    - Reviewing energy debt and direct debit payments
    - Accessing funding for energy efficiency measures
    - Energy behavior advice such as understanding boiler and radiator controls
    - Partners take referrals from WWU and their network of partners and provide in depth support to customers to claim benefits,

apply for energy measures, and three-way calls with energy suppliers to resolve issues. All cases are followed to their conclusion ensuring the customer gets what they are entitled to

- **Services Beyond the Meter:**
    - Where we find customers during our works with faulty appliances or pipework, and they are at risk of being off gas due to costs or capacity to deal with. In these cases, we will either repair with our trained engineers or refer to partnerships to action via Gas Safe Engineers
    - Proactive servicing of appliances (criteria to be developed)

- **Supporting Priority Customer Groups:**
    - Projects with charities and organisations representing specific groups
    - Energy PSR information and referrals to energy suppliers, DNOs and water Companies
    - Locking Cooker Valves

- **Carbon Monoxide Awareness:**
    - CO Safety and Awareness and provision of free monitors
    - Schools and community education through our Gas Safety Ambassadors

Through the additional allowance our prime focus has been to expand funding for partnerships providing support to customers specifically delivering fuel poor initiatives, as well as building and developing new delivery models with other organisations.

5. Deliver

5.1 WWU Governance

- Procurement rules will be followed for tenders or approval of single source partnerships
- Projects will be approved using the WWU Delegated Authority Matrix with the Executive team approving projects over £250k
- Projects will be managed by the VCMA team reporting to the head of Customer and Social Obligations, with a minimum of quarterly meetings with partners
- The Customer and Communities Steering Group will review projects and outcomes and regularly review and develop our strategy

Annual reporting will be subject to the Data Assurance Guidance controls with data tables and reports subject to review by second person, internal experts, internal audit, and responsible Executive member sign off.

5.2 Collaborative Governance

- Alignment to UK and Welsh Government policies and strategies
- Alignment to joint GDN working groups sharing ambition, strategy and approach through various industry working groups including our VCMA Steering Group and our GDN Vulnerability working group.

5.3 Administration Costs

With such a large spend to manage and a set of regulatory requirements for the projects, reporting and annual showcase event, WWU have established a core

team to manage the VCMA. other staff across the buisness who support the project will complete monthly timesheets allowing for administration costs to be calculated each year. WWU forecast administration costs will be in the region of 10% of the total VCMA costs.

6. Facilitate

Our Engineers visit around 100,000 homes each year and our call centre deals with 60,000 calls. By training our employees to be aware of vulnerability and knowing what they can do to talk to customers, provide them with information and refer them for services is key to projects working. We have trained all 1,800 employees through e-learning and through continued briefings, team meetings, priority customer week and our ISO accreditation. We will keep up the profile of supporting priority customers.

Measurement of KPIs allows us to identify which areas are fully signed on and where additional coaching and support may be required for others.

6.1 Evaluation and Reporting

We will publish an annual report outlining our VCMA activities, outcomes and associated benefits as well as a collaborative GDN report and annual showcase event to include:
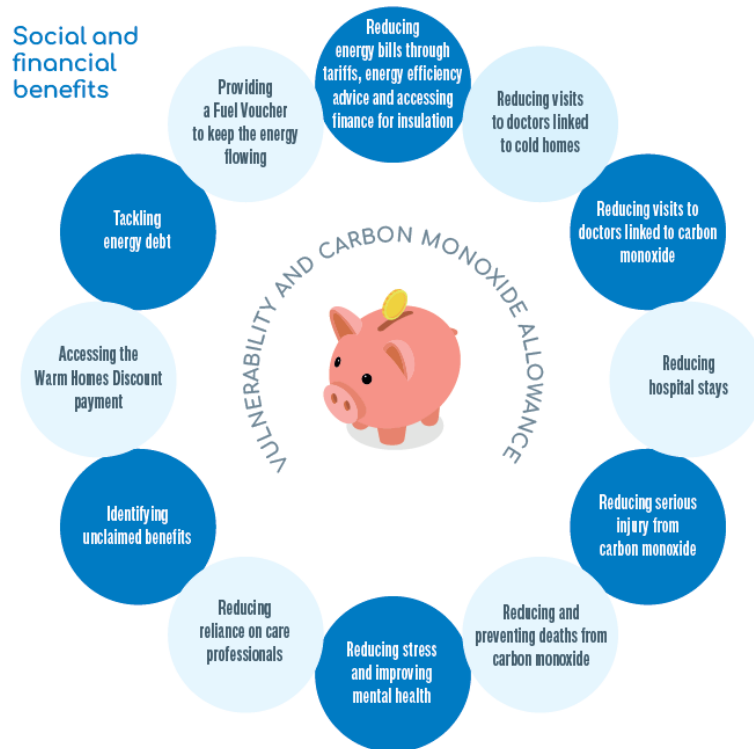
- Stakeholder engagement insight
- Services provided, reach and awareness
- Financial savings
- Living experiences/case studies demonstrating the positive impact on well being and mental health
- Social Return on Investment (SROI) model

6.2 Social Return on Investment (SROI)

As a group of GDN's, we have worked with Sirio to develop a consistent SROI model, which is now being used collectively but will require further work to make the model easy to use. We remain committed to working towards a consistent measurement of social value across the energy industry and believe that this piece of work has encouraged and supported our shared ambition and what we are looking to achieve in this space.

Each Project Eligibility Assessment (PEA) includes a forecasted SROI which we then compare against the actual SROI based on the outcomes generated as a result of the project. Social and financial benefits include:

Social and financial benefits — VULNERABILITY AND CARBON MONOXIDE ALLOWANCE

- Reducing energy bills through tariffs, energy efficiency advice and accessing finance for insulation
- Reducing visits to doctors linked to cold homes
- Reducing visits to doctors linked to carbon monoxide
- Reducing hospital stays
- Reducing serious injury from carbon monoxide
- Reducing and preventing deaths from carbon monoxide
- Reducing stress and improving mental health
- Reducing reliance on care professionals
- Identifying unclaimed benefits
- Accessing the Warm Homes Discount payment
- Tackling energy debt
- Providing a Fuel Voucher to keep the energy flowing

As part of ensuring our projects are of benefit to the organisation we work with, we are training them on the use of SROI to aid their bid processes for future funding.

6.3 Case Studies

SROI gives a cold assessment of the project outcomes. We will also gather stories of lived experiences through case studies and stakeholder feedback and publish these through press releases celebrating projects and in annual reports and events.

7. Breakdown of VCMA Funding

The transfer of the FPNES underspend to VCMA has seen our overall VCMA spend increase from £7m to £20m[6]. As outlined below, the additional VCMA funding will allow us to significantly increase the reach and impact of our projects by working with partners who are embedded within our communities, a proven delivery approach.

7.1 High level summary of allowance

Strategic Pillars	Committed Spend (to date)	Forecasted Spend (GD2 period)
Fuel Poverty & Energy Affordability	£14.5m	£15.5m
Supporting Priority Customer Groups	£5.4m	£5.5m

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[6] 2018/19 prices

Services Beyond the Meter	£1m	£1.1m
Carbon Monoxide Awareness	£1.3m	£1.5m
Additional Costs	£1.6m	£2.2m
Total	**£23.8m**	**£25.8m**

*Table above is in nominal prices

7.2 VCMA spend

- During 2023/24, we've expanded and accelerated our VCMA project portfolio. We invested £3.27m of the VCMA in our third year of delivery which is a 64% increase on year 2 and we saw record numbers of people seeking support, particularly financial support. We are on track to spend the full VCMA allowance by the end of March 2026 and are anticipating that around 31% of our project portfolio will be in collaboration with the other GDN's.
- We will continue to work with partners to ensure there is a good geographical spread of projects across our network and will continue to focus on working in partnership with organisations delivering projects targeting specific needs and the most disadvantaged communities.
- We have a total of 76 projects: 40 company specific, 36 collaborative ranging from £5k to £500k per annum
- We have extended successful projects recognising both the financial and social benefits to our customers.
- We have worked with our partners bringing them together to share learning and best practice to support longevity and sustainability post VCMA funding.

7.3 Additional Allowance

- We have funded a number of large-scale projects that provide consistent and targeted services across our whole network
- We have engaged with a number of potential organisations who have expressed interest in working with us, both at a local and national level, in order to create projects and develop enhanced delivery models under the VCMA eligibility criteria supporting those in or at risk of fuel poverty
- We have launched a call for projects through our Procurement team in to ensure we have a range of projects to evaluate and to be compliant with Procurement regulations
- We have worked with our Stakeholder Engagement, Finance and Procurement teams to ensure all processes have been followed efficiently to support the delivery of projects through the additional allowance
- We have utilised demographic data through our partners to further support where and how the allowance has been spent, alongside stakeholder feedback and consultation
- We continue to work together as a group of GDNs to ensure our existing strategies are fit to meet the increase of allowances under VCMA and to ensure we spend a minimum of 25% on collaborative projects

8. Outcomes

Based upon actual delivery, we have extrapolated the outcomes from our existing projects to estimate the reach and benefits of the total funding in the key areas of energy affordability for GD2.

Delivery	Actual April 21 - March 24	Forecasted April 21 - March 2026
VCMA Investment	£21.2m	£25.8m
Directly Supported	142,653	300,000

Savings	£17.6m	£30m
PSR Referrals	20,812	60,000
CO Questionnaires	22,747	50,000
CO Alarms	22,725	45,000
LCV Installations	135	250

Our annual VCMA reports can be found on our website and include detail of both company specific and collaborative projects we have funded using the VCMA.

9. Future Look

While energy affordability and keeping customers safe and warm will remain our priority going forward, we will continue to seek and follow up on feedback from key stakeholders to inform future programmes and ways of working.

GDNs are now well into the Business Planning cycle with Ofgem for the next regulatory period for 2026 to 2031, known as RIIO GD3. Ofgem published the Sector Specific Methodology Decision (SSMD) in July 2024, including the continuation of VCMA following the RIIO GD3 Consultation. This allows us to start evaluating which projects we want to take into RIIO GD3, managing the transition process in terms of resourcing and avoiding funding gaps. Where projects will not be taken forward, we will work with partners to continue to deliver sustainable services.

We are in the process of reviewing our Vulnerability Strategy which will incorporate the VCMA strategy. This will look ahead for the RIIO GD3 period and will include our business case for the level of VCMA funding required. We have engaged with stakeholders to understand how vulnerabilities and the UK energy landscape will change over that period and will include this in our business plan submission in December 2024.

Appendix A

Examples of ONS data showing fuel poverty at a regional level across England. Highest levels in Cornwall and East Devon and along the English / Welsh Border (mostly Cadent area)
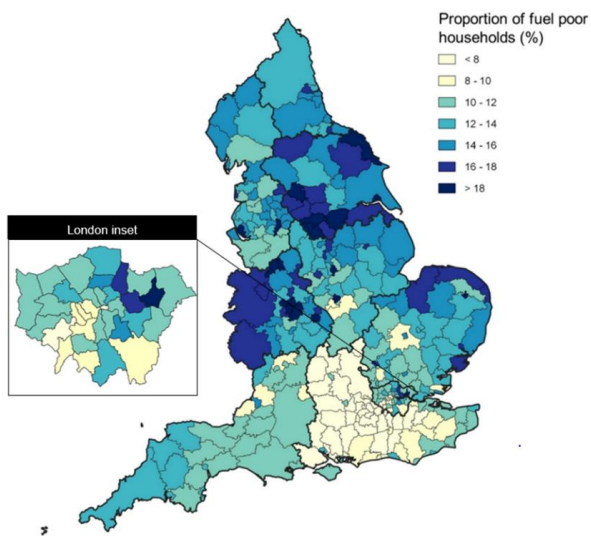
Example of Welsh Government data showing Fuel poverty at LSOA level in Cardiff showing communities around the city centre most impacted but also communities to the west.

Caerdydd / Cardiff