

Vulnerability & Carbon Monoxide Allowance (VCMA)

Project Eligibility Assessment (PEA) Winter Emergency Grants Programme

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December 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 - provides support to consumers in vulnerable situations and relates to energy safeguarding
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;	Yes
b) Have the potential to benefit consumers on the participating networks; and	Yes
c) Involve two, or more, gas distribution companies.	Yes

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

Information Required	Description
Project Title	Winter Emergency Grants Programme
Funding GDN(s)	Cadent - initiative delivered across all 4 networks
Role of GDN(s) *For Collaborative VCMA Projects only	Not applicable - Cadent company-specific project
Date of PEA Submission	March 2022
VCMA Project Contact Name, email and Number	Name: Phil Burrows, Email: phil.m.burrows@cadentgas.com Number: 07773 545451
Total Cost (£k)	£100,000.00
Total VCMA Funding Required (£k)	£100,000.00
Problem(s)	<p>This project looks to directly tackle several forms of fuel poverty and address modern societal problems.</p> <p><u>Unclaimed benefits</u></p> <p>The Department of Work & Pensions 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.</p> <p>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.</p> <p>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:</p>

- 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 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.

As well as awarding emergency grant payments to fuel poor households, this project will also offer financial information to approximately 400 customers. The types of financial information offered will be quite broad and will be tailored to the needs of the customer.

The financial information offered to customers will include access to a benefits entitlement check and subsequent claims support.

This will help customers identify and realise unclaimed benefits, significantly raising their household income once received.

Financial challenges in 2021-2022

UK think tank the International Longevity Centre (ILC) recently commissioned a ¹report on the financial barriers facing individuals from the generation X group (ages 42 - 57).

The report details multiple financial issues facing modern UK households, the results of which are that many customers have very limited/no savings. This means that thousands of households are unable to cover an unforeseen cost. e.g. vehicle breakdown, broken white goods etc.

The ILC report states multiple reasons behind generation X household's lack of savings, including:

¹ <https://ilcuk.org.uk/wp-content/uploads/2021/03/ILC-SLIPPING-BETWEEN-THE-CRACKS-3rd-March-Final.pdf>

	<ul style="list-style-type: none"> • High housing costs (mortgages and rent), • Debt, • Low wages, and/or, • Barriers to work (such as poor health and caring responsibilities). <p>Approximately 57% of generation X households want to save more money but are unable to do so due to the above barriers and other financial priorities.</p> <p>From an energy safeguarding perspective, households with high levels of debt, low wages and high housing costs are more likely to be at risk of fuel poverty. Fuel poverty poses many risk's to physical and mental health, the treatment of which requires investment from UK PLC.</p> <p>Additionally, the project is due to commence in the month prior to the introduction of the new Ofgem price cap. The increased price cap will see annual energy bills rise by an average of £708 from £1,309 to £2,017 for prepayment meter customers.</p> <p>This project looks to tackle financial challenges and fuel poverty and associated fuel poverty by issuing emergency grants to households in crisis. The value of the grants will range between £1,800 - £2,000.</p>
<p>Scope and Objectives</p>	<p><u>Project scope</u></p> <p>The VCMA project will run in partnership with national financial poverty charity Turn 2 Us. Turn 2 Us specialise in offering vital support to households in financial poverty. These services range from information on budgeting and management of debt, through to benefit entitlement checks, claims support and the issuing of emergency grants/trust fund support.</p> <p>The project will run for a period of 12-months between 01/03/2022 - 28/02/2023 and aims to support approximately 430 households. This total reach can be broken down into:</p> <ul style="list-style-type: none"> • Between 25 - 35 households (an average of 30) will receive support via an emergency winter grant ranging from £1,800 - £2,000 in value.

	<ul style="list-style-type: none"> • Approximately 400 households will receive assistance through contacting Turn 2 Us's public facing support line. These customers will receive financial information and guidance, access the online benefits calculator and grants search tool, and receive referrals into the Winter Emergency Grants element of the project (where eligible). <p>Cadent's funding will be utilised by Turn 2 Us to:</p> <ul style="list-style-type: none"> • Manage and administer 25 - 35 emergency grants to households in crisis. Applications to the grants programme will not be open to the public and Turn 2 Us will triage customers to ensure the most in need households receive the support. • Increase capacity in the Turn 2 Us support line to enable a further 400 households to receive financial information. • Project manage the programme and create reports that will be used to calculate the project's actual SROI. <p><u>Project objectives</u></p> <p>The project contains a series of objectives that success will be measured:</p> <ul style="list-style-type: none"> • An average of 30 households in financial crisis will be identified and offered support via an emergency grant. The grants will range in value between £1,800 - £2,000 (an average of £1,900). • Approximately 400 households requiring financial information will receive assistance via the Turn 2 Us support line. This assistance will include financial information and guidance, access the online benefits calculator and grants search tool, and receive referrals into the Winter Emergency Grants (where appropriate). • To generate a positive social return on investment - please see the below section for more details.
<p>Why the Project is Being Funded Through the VCMA</p>	<p>This project meets all of the company-specific VCMA eligibility criteria.</p> <p>a. Have a positive, or a forecasted positive, Social Return on Investment (SROI)</p>

	<p>including for the gas consumers funding the VCMA Project;</p> <p>Yes - see the below section for more information.</p> <p>b. Either:</p> <ul style="list-style-type: none"> i. Provide support to customers in vulnerable situations and relates to energy safeguarding, or; ii. Provide awareness on the dangers of CO. or; iii. Reduce the risk of harm caused by CO. <p>Yes - the project supports customers in vulnerable situations and relates to energy safeguarding through the issuing of financial information and emergency grants to fuel poor households. The increases in household income will help customers heat their home to an adequate level.</p> <p>c. Have defined outcomes and the associated actions to achieve them;</p> <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> <p>d. Go beyond activities that are funded through other price control mechanisms or required through other licence obligations;</p> <p>The partnership with Turn 2 Us and the provision of financial information and emergency grants through this channel goes beyond Cadent's BAU activities.</p> <p>e. Not be delivered through other external funding sources directly access by a GDN, including 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>
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<p>Evidence of Stakeholder/Customer Support</p>	<p>²Cadent's independent 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 Turn 2 Us Winter Emergency Grants project aims to alleviate fuel poverty by increasing a household's income. We forecast that an increase in household income will allow a customer to afford the required cost of fuel to adequately heat their home.</p> <p>Additionally, Turn 2 Us work with a network of referral partners that offer wider support including energy efficiency advice. The feature of a wider referral network implements a holistic approach to tackling fuel poverty.</p> <p>This project's strategy also correlates with the wider national vulnerability landscape in spring 2022. This project will be launched a month before the introduction of the April 2022 increased Ofgem price cap. The assistance offered to fuel poor households over the course of the 12-month duration of the project will be as crucial as ever in providing critical support.</p> <p>The End Fuel Poverty Coalition recently issued calls for more support to be offered to fuel poor households, as experts predict that the October cap could see prices rise to over £3,000 per annum.</p> <p>This project looks to answer the calls of many stakeholders to increase activity that supports fuel poor households by offering financial information and emergency grants to increase household income.</p>
<p>Information Required</p>	<p>Description</p>
<p>Outcomes, Associated Actions and Success Criteria</p>	<p><u>Project outcomes</u></p>

² <https://cadentgas.com/nggdwsdev/media/Downloads/business-plan/Cadent-CEG-report-with-appendices.pdf>

The VCMA project will be delivered in partnership with Turn 2 Us and aims to support approximately 430 residents with financial information, emergency grants and benefit entitlement checks.

The Winter Emergency Grants Programme aims to achieve the following project outcomes:

- An average of 30 households in crisis are identified and supported through the issuing of emergency grant payments. These payments will range in value between £1,800 - £1,900. This additional household income may be used by customers to afford the cost of heating their homes to an adequate level over a prolonged period of time.
- Approximately 400 customers living in fuel poverty are issued financial information via Turn 2 Us's support line. This financial information will range from guidance, access to the online benefits calculator and grants search tool, and receive referrals into the Winter Emergency Grants (where appropriate). This financial information will help customers realise additional income that the customer may invest into heating their home to a safe and healthy temperature - reducing the risk of cold related illness.

Associated associations

Cadent will provide Turn 2 Us with £100,000 of VCMA funding to enable the delivery of the following services:

- An increased capacity within the Turn 2 Us support line to enable 400 households to receive financial information, guidance and access to the online benefits calculator and grants search tool.
- The issuing of 25 - 35 emergency grants, ranging in value between £1,800 - £1,900 to fuel poor households in crisis. This additional income will help fuel poor households to manage debt and afford the cost of heating their home to an adequate temperature.
- When issuing emergency grants, Turn 2 Us will triage customers to understand their financial circumstances, number of dependents, level of need and vulnerability. This will ensure that the benefit of the emergency grants reach the most in need households.

	<ul style="list-style-type: none"> • Turn 2 Us will capture MI at key stages of the financial information and emergency grants process(es) for the purpose of creating project reports. These reports will feed into the project's social return on investment evaluation. <p><u>Success Criteria</u></p> <p>The success of the project will be evaluated against the meeting of the project's objectives. These objectives include:</p> <ol style="list-style-type: none"> 1. The project will reach approximately 430 customers over the course of the 12-month duration of the project. 2. The project will realise a positive social return on investment - see below section for more details. 3. An average of 30 fuel poor households in crisis will receive an emergency grant, ranging in value between £1,800 - £1,900. These grants will be issued to the most in-need households, as identified by Turn 2 Us' triage process. 4. Approximately 400 households will receive financial information via Turn 2 Us's support line.
<p>Project Partners and Third Parties Involved</p>	<p>Cadent's principal project partner will be national financial poverty charity Turn 2 Us.</p> <p>Turn 2 Us may liaise with their network of referral partners for the purpose of offering customers wider support.</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. An element of the project focusses on offering benefit entitlement checks and claims support to customers that are eligible for benefits, but not currently claiming them. Cadent is using its VCMA to pilot a number of income maximisation projects, and this programme will offer Cadent insight on the success of using charities with customer-facing support lines. 2. This project will be the first use of Cadent's VCMA to fund the delivery of emergency grants to fuel poor households. Cadent wishes to understand the longer term

	<p>benefits, as well as the resolution of an immediate issue that the emergency grants offer. Customers in receipt of emergency grants will also be offered additional financial information - this will offer a sustainable benefit alongside the immediate increase in household income.</p>
<p>Scale of VCMA Project and SROI Calculations</p>	<p>The Funding Licensee(s) should justify the scale of the VCMA Project – including the scale of the investment relative to its potential benefits. As part of this it should provide the SROI calculation.</p> <p><u>Scale of VCMA project</u></p> <p>The Turn 2 Winter Emergency Grants Programme will deliver support for an initial 12-month period. The project will focus on the provision of financial support and information to approximately 430 customers.</p> <p>The project's total reach will be divided between:</p> <ul style="list-style-type: none"> • Between 25 - 35 families in crisis (an average of 30) will receive an emergency grant worth between £1,800 - £1,900. • Approximately 400 customers will receive financial information including access to Turn 2 Us's benefits calculator and grants search tool. <p><u>SROI calculations</u></p> <ul style="list-style-type: none"> • Forecasted 5-year social return on investment = £741,796.00 • Forecasted 1-year social return on investment = £68,359.20 • Investment = £100,000 • Total gross present value = £841,796.00 • Total gross present value from the issuing of emergency grants = £154,952.00 • Total gross present value from offering income maximisation services = £686,844 <p><u>Emergency Grants</u></p> <p>Cadent forecasts that an average of 30 households will receive an emergency grant, with an average value of £1,900 per grant.</p>

The issuing of emergency fuel vouchers can be split into individual benefits. Cadent has forecasted that each individual benefit will create gross present value. These individual benefits are:

- Financial savings
- Reductions in stress
- Reduced risk of illness through living in a cold home
- Reduced risk of winter deaths
- Relief from debt burden

Financial savings

Financial savings

In the simplest terms, the issuing of emergency fuel vouchers offers customers a cost saving, whereby they save an average of £1,900 that they may have spent on fuel due to Cadent providing the funding.

This equates to a total saving to the customers reached through the project of £57,000.

Reductions in stress

The DNO proxy bank contains a series of social values with accompanying information sources for a number of utilities related scenarios.

One of the scenarios mapped is the social value of a reduction in stress during an outage. This value has previously applied to PSR registrations but is equally as applicable to outages faced by prepayment customers in crisis.

PSR registration is a longer lasting benefit when compared to the issuing of an emergency grant. As such, the gross present value must reflect this and Cadent are only measuring the value of a reduction in stress over one year.

The DNO proxy bank cites a social value of £35, equivalent to the average cost of a stress management course.

Emergency grants will be issued to 30 customers, equating to a gross present value through a reduction in stress of £1,050.

Reduced risk of illness through living in a cold home

The social value of reducing illness in residents living in a cold home was evaluated as part of Cadent's RIIO-GD2 business plan formations.

The analysis of the benefit of reducing cold related illness was broken down as follows:

- ³Visits to GP's for respiratory tract infections increase by up to 19% for every one degree drop in mean temperature below 5°C in homes.
- An assumed success rate of 19% has been applied, that is, without the initiative the customers would experience at least a 19% higher risk of respiratory tract infections requiring at least one visit to their GP.
- We forecast that the project will issue emergency grants to 30 households.
- The average size of a UK household is 2.4 people.
- Therefore, the project's total reach (emergency grants) is 72 individuals.
- 19% of 72 individuals equates to 14 avoided GP visits.
- The average cost of a GP consultation lasting 9.22 minutes is ⁴£37.00.
- 17 avoided GP visits at a cost of £37.00 per visits equates to a total saving of £629.

Reduced risk of winter deaths

- In 2017/2018, ⁵16,980 excess winter deaths in the UK were attributable to cold housing conditions.
- The estimated population of England & Wales is 58,744,595.
- The likelihood of an excess winter death in England & Wales is therefore $16,980 / 58,744,595 = 0.02875\%$.
- Therefore, the initiative can expect to yield a benefit in the form of avoided excess winter

³ https://fingertips.phe.org.uk/documents/Fuel_poverty_health_inequalities.pdf (2014)

⁴ <https://www.pssru.ac.uk/pub/uc/uc2017/community-based-health-care-staff.pdf> (2017)

⁵ <https://www.e3g.org/news/media-room/17000-people-in-the-uk-died-last-winter-due-to-cold-housing>

deaths to 0.02875% of 72 people = 0.0207 people over the 12-months of the project.

- The value of a prevented fatality in the UK is £1,897,129. This equates to a total social benefit of £39,273

Relief from debt burden

Turn 2 Us will triage customers to fully understand their circumstances and levels of need for emergency grants.

Households that qualify for the grant will have higher levels of debt and will be experiencing severe financial and fuel poverty.

The DNO proxy bank contains a series of social values with accompanying information sources for a number of utilities related scenarios.

One of the scenarios mapped is the social value of a relief in the burden of debt. The DNO proxy bank lists the social value of a relief in the burden of debt as £1,900 - the average debt of an 18 - 29 year old in the UK as per the ⁶Office of National Statistics

30 households stand to receive the benefit of a reduction in the burden of debt, equating to a total social value of £57,000.

Income maximisation services

Cadent forecasts that 400 households will receive financial information and income maximisation services through the various means of support offered by Turn 2 Us.

Cadent employed social value consultants SIA Partners to evaluate the average 5-year gross present value that is realised by offering customers income maximisation services.

These evaluations were based on actual data from previous Cadent vulnerability projects, DNO proxy bank averages and national statistics.

SIA Partners evaluated that income maximisation services deliver an average 5-year gross present value of £1,717.11.

This equates to a total gross present value of £686,844 across 400 households.

⁶<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/howwellareyoudoingcomparedwithotheryoungpeople/2018-10-04>

VCMA Project Start and End Date	Project start date = 01/03/2022 Project end date = 28/02/2023
Geographical Area	The project's services will be available to customers located in all 4 of Cadent's networks.
Remaining Amount in the Allowance at Time of Registration	To be confirmed upon receipt of Director of Sustainability and Social Purpose sign-off

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: 31/03/22	Review Completed By: Gemma Norton
Stage 2: Sustainability & Social Purpose Team Management Review	
Date Management Review Completed: 31/03/22	Review Completed By: Phil Burrows
Step 3: Director of Sustainability & Social Purpose Sign-Off; Mark Belmega	
Director of Sustainability & Social Purpose Sign-Off Date: 31/03/22	
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	