Vulnerability & Carbon Monoxide Allowance (VCMA) Strategy

WALES&WEST UTILITIES

Contents

1. Background

This VCMA strategy supports the Wales & West Utilities Sustainability Strategy and our RIIO GD2 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 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?

   (VCMA1) Funding of £60m (2018/19 prices) 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 (WWU 11.9% equating to £7m). At least 25% of the allowances must be spent on collaborative projects.

   An additional funding pot (VCMA2) will be created in August 2023 through reallocation of allowances from the Fuel Poor Network Extension Scheme to the VCMA. Each GDN will be allocated a proportion of the new VCMA pot, which is approximately £110 million (18/19 prices). This will be adjusted in line with inflation and WWU's VCMA2 fund will be around £16 million.

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.

Ofgem VCMA Governance Document

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 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 Consumer Engagement Groups (CEG), Critical Friends panel who enable us to test our approach and commitments and to further develop our services and ambition
- Joint network forums such as the Customer Safeguarding Industry Working Group (CSIWG) that brings 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 Compnaies 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

The definition of vulnerability is very broad. Whilst we will 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:

- 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 such as Swansea and Bridgend Carers.

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)

In VCMA1, we have built projects that deliver the following key services to customers:

- Fuel Poverty and Energy Affordability:
  - o 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
  - o 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
  - o Accessing unclaimed benefits
  - o Reviewing energy debt and direct debit payments

- o Accessing funding for energy efficiency measures
- o Energy behavior advice such as understanding boiler and radiator controls
- o 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:
    - o 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
    - o Proactive servicing of appliances (criteria to be developed)

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

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

For VCMA2 our prime focus will be on expanding funding for partnerships providing support to customers in the first three areas with limited additional funding for CO and PSR awareness and always driven by the other priorities.

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

*All Party Parliamentary Carbon Monoxide Group
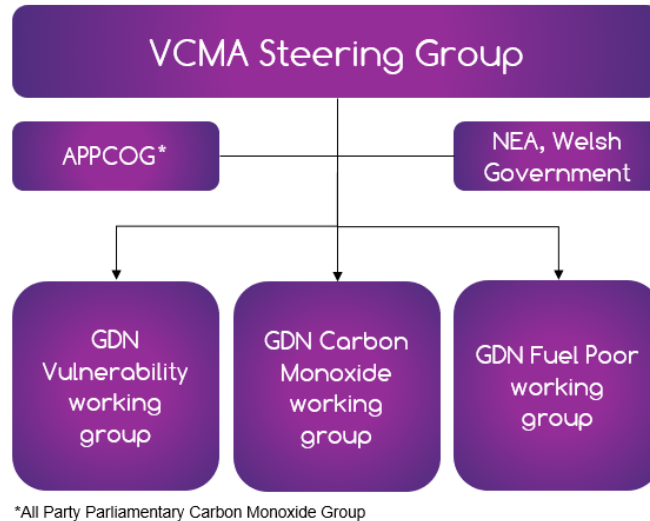
5.3 Administration Costs

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)

Our current SROI model, developed by Sirio, is used to demonstrate social and financial benefits for each of our projects. Sirio have been awarded a contract to build a common SROI model which can be used by GDNs, DNOs, Transmission and this should be available by mid September 2023. As a group of GDN's, we are committed to working towards a consistent measurement of social value across the energy industry and believe that this piece of work will encourage and support 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:
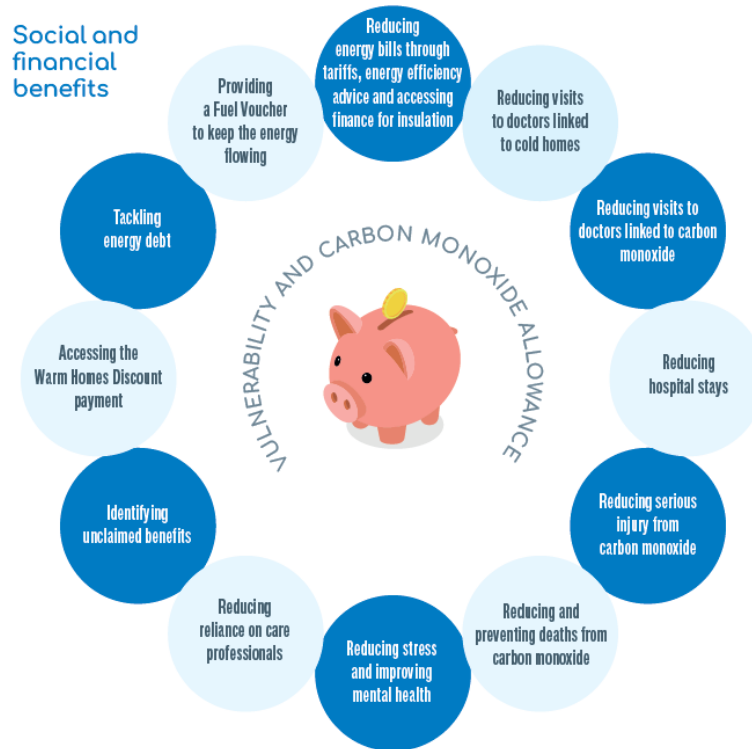
As part of ensuring our projects are of benefit to the organisation we work with, we are training them on the use of SROI to aid their bid processes for future funding.

6.3 Case Studies

SROI gives a cold assessment of the project outcomes. We will also gather stories of the human impact of work 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 and Outcomes

The proposal to transfer the FPNES underspend to VCMA2 would see our overall VCMA spend increase from £8.6m to £24.6m. 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

Key Project Driver(s)	Business Plan (2018/19 prices)	VCMA1 Forecast	VCMA 1 and 2 Forecast
Fuel Poverty & Energy Affordability	£1.1m	£4m	£14m
Supporting Priority Customer Groups	£0.55m	£2m	£6m
Services Beyond the Meter	£0.2m	£0.5m	£2m
CO Awareness	£0.95m	£1.4m	£2.6m
Total	**£2.8m**	**£8.6m**	**£24.6m**

7.2 VCMA1 spend

- We have doubled our spend in the second year of delivery and are on track to spend the full VCMA1 allowance by the end of March 2026.
- Considering our forecasted project spends for the remainder of GD2, we are anticipating that around 27.5% of our allowance will have been spent working in collaboration with the other GDNs, expanding projects nationally, which falls in line with VCMA governance.

- We are working with partners to ensure there is a good geographical spread of projects across our network as during year 1, projects were more Wales focused and we had a gap in the west of our network. Similarly, we identified gaps in demographics and have been engaging with partners who will be delivering projects targeting specific needs.
- We have a total of 52 projects: 30 company specific, 22 collaborative ranging from £5k to £300k per annum
- We have extended successful projects recognising both the financial and social benefits to our customers. We are also working with partners to ensure they create a network of partnerships and relationships post VCMA for further sustainable support

7.3 VCMA2

- We are looking to fund 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 under the VCMA2 eligibility criteria supporting those in or at risk of fuel poverty
- We will launch a call for projects through our Procurement team in summer 2023 to ensure we have a range of projects to evaluate and to be compliant with Procurement regulations
- We are working with our Stakeholder Engagement, Finance and Procurement teams to ensure all processes are set up ready and have been followed efficiently in preparation for the delivery of VCMA2 projects
- We will be utilising demographic data to further support where and how the allowance should be spent alongside stakeholder feedback and consultation
- From July until late 2023, we will be planning and onboarding partnerships in preparation for project delivery from January 2024 out of the VCMA2 pot. This approach will be aligned with the other GDN's

for any collaborative projects that are going to be supported via the VCMA2 funding
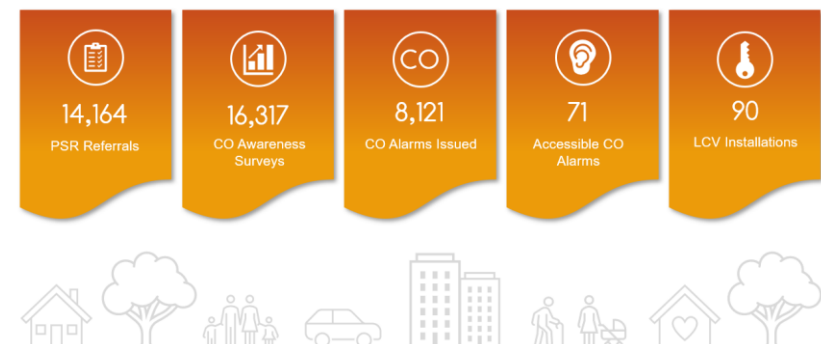
- We will continue to work together as a group of GDNs to ensure our existing strategies are fit to meet the increase of allowances under VCMA2 and to ensure we spend a minimum of 25% on collaborative projects
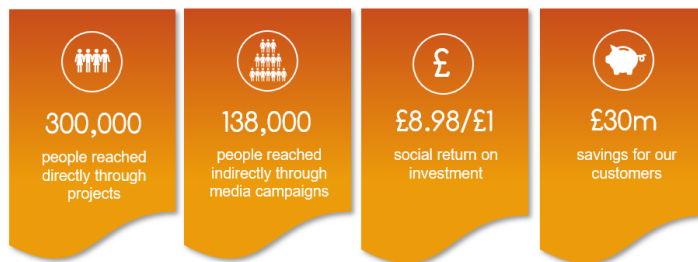
8. Outcomes

RIIO GD2: Apr 21' – March 23'

24	48,427	23,723	£8.98/£1	£5,340,060
VCMA projects delivered	people reached directly through projects	people reached indirectly through media campaigns	social return on investment	savings for our customers

RIIO GD2: Apr 21' – March 23'

14,164	16,317	8,121	71	90
PSR Referrals	CO Awareness Surveys	CO Alarms Issued	Accessible CO Alarms	LCV Installations

Based upon our delivery in VCMA1, we have extrapolated the outcomes from our current VCMA1 projects to estimate the reach and benefits of the total funding in the key areas of energy affordability.

Reporting Outcomes

RIIO GD2: Apr 21' – March 26'

300,000	138,000	£8.98/£1	£30m
people reached directly through projects	people reached indirectly through media campaigns	social return on investment	savings for our customers

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)
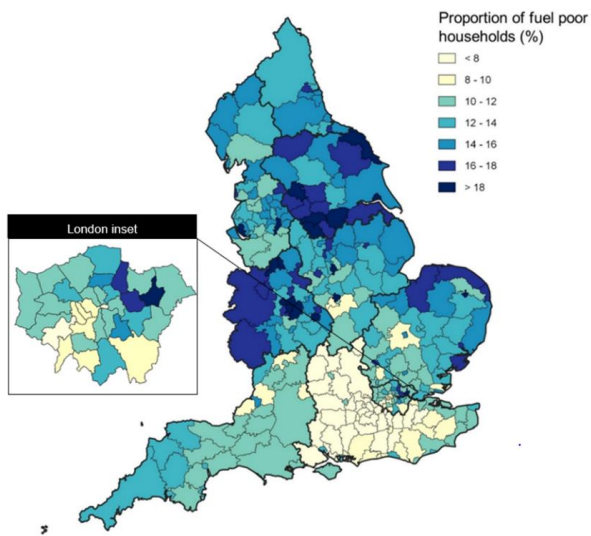
Example of Welsh Government data showing Fuel poverty at LSOA level in Cardiff showing communities around the city centre most impacted but also communities to the west.

Caerdydd / Cardiff