



Making a positive difference  
for energy consumers

Email: [Rebecca.Pickett@ofgem.gov.uk](mailto:Rebecca.Pickett@ofgem.gov.uk)

Date: 30 August 2021

## Decision on the 2021 RIIO-GD1 Gas Discretionary Reward Scheme (DRS)

The RIIO-GD1 DRS incentivised the gas distribution networks (GDNs) to help address a range of environmental, social and carbon monoxide (CO) safety issues. We assessed GDNs' DRS submissions three times during the eight-year RIIO-GD1 price control (2013 to 2021), with up to £4 million in rewards available each time. Our assessment was carried out by an independent expert panel, chaired by Ofgem.

This letter sets out our decision on the third and final DRS assessment of RIIO-GD1. We are awarding £2.68 million to the GDNs.

### Our assessment process

Our DRS guidance<sup>1</sup> set out the minimum requirements, and types of initiatives we expect the GDNs to put forward in their DRS submissions. The initiatives presented are in the categories of environmental, social and CO safety. We expected initiatives to show a measurable improvement from past DRS assessments, and they should not be funded, or incentivised, through other areas of the price control.

There are two key submission requirements for the DRS:

1. An application in which each GDN demonstrates its performance against the minimum requirements, as set out in the guidance.
2. A main submission where the GDNs set out their environmental, social and CO safety initiatives in two parts:
  - **An individual submission** to highlight work that the GDN has completed individually.
  - **A joint GDN submission** to outline the work that they have completed collaboratively.

We received DRS submissions from all four GDNs in May 2021<sup>2</sup>. All the submissions met the minimum requirements. Passing the minimum requirements opens up the potential for reward following a question and answer session with our expert panel made up of experts in the fields of CO safety, environmental and social issues. This year's expert panel members were:

---

<sup>1</sup>[https://www.ofgem.gov.uk/sites/default/files/docs/2021/03/arrangements\\_for\\_the\\_2021\\_gas\\_discretionary\\_reward\\_scheme\\_drs\\_under\\_riio-gd1.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/03/arrangements_for_the_2021_gas_discretionary_reward_scheme_drs_under_riio-gd1.pdf)

<sup>2</sup> Published as subsidiary documents alongside this decision

- Meghna Tewari, Head of Vulnerability and Consumer Policy, Ofgem (Chair)
- Dr Martin Hurst, Associate, Sustainability First
- Trisha McAuley, Independent consumer expert
- Isabella Myers, Independent consultant – Health, Policy and the Environment

The GDNs attended the expert panel question and answer session on 30 June 2021.

### **The expert panel's feedback**

The expert panel was impressed with the following initiatives, which it believed represent best practice in the sector:

- Wales and West Utilities' (WWU) carbon negative Redruth depot, fitted with solar panels and EV charging points, received an A+ Energy Performance Certificate indicating it generates more energy than it uses.
- WWU's climate change impact mapping tool, which helps to support Defra climate change adaptation reporting. WWU has shared the tool with other GDNs.
- Cadent's whole house approach to tackling fuel poverty, which aims to make a bigger impact on helping remove a customer from fuel poverty compared to offering a fuel poor gas connection alone.
- Cadent's cross-sector partnerships, including electricity, to inform vulnerable customers about the dangers of CO.
- SGN's referral app, giving staff immediate access to the tools needed to support vulnerable customers.
- SGN's vulnerable circumstances training for engineers, allowing improved identification and referral of vulnerable customers.
- Northern Gas Network's (NGN) work with Communitas Energy to develop an approach that helps vulnerable households eligible for Fuel Poor Gas Connections to save money, whether or not they get a connection.
- NGN's work shaping a net zero carbon future, including research to better understand the costs of producing hydrogen at scale, building a hydrogen show home and programmes contributing to the hydrogen production market.

The expert panel was particularly impressed with NGN's initiatives in the environmental category, noting that the majority were accompanied by a well structured approach involving a roll out plan and a learning plan.

The expert panel thought that there were signs of improvements around the GDNs working together within the collaborative submission, but that it was not a step change relative to the previous DRS. The panel thought that there was still evidence of duplication in some areas and that the GDNs could have done more to respond to this, especially as it was an issue raised by the expert panel in the last DRS. They also thought there was a missed opportunity in harnessing the companies' joint resources to undertake more significant research into the consumer impact of the Covid-19 pandemic. However, the panel still commended the GDNs' responsiveness and additional effort during the Covid-19 pandemic, across all DRS categories. This was reflected in the scores.

### **Decision on financial rewards for the GDNs**

The panel scored each GDN across the environmental, social, CO safety and collaborative categories, based on the submissions and the question and answer sessions. Each category carried equal weight, with the panel's recommended score for each category used to determine the reward for each GDN.

We agree with the feedback (summarised above) and recommendations made by the expert panel for how the rewards should be allocated to the GDNs.

For individual initiatives, the panel wanted to see a clear strategy to understand how they were developed, prioritised and rolled out. The best submissions and presentations were able to demonstrate a clear strategy embedded within the culture of the organisation. This reflects some of the differentiation in reward across the categories.

The panel also recommends that we should award £400,000 of the available £1m, spread equally across all the GDNs, for the collaborative submission as it was not a step change relative to the previous DRS.

The final rewards are in the table below:

	<b>Environmental</b>	<b>Social</b>	<b>CO safety</b>	<b>Collaborative</b>	<b>Total</b>
<b>Cadent</b>	£187,500	£162,500	£187,500	£100,000	<b>£637,500</b>
<b>WWU</b>	£187,500	£162,500	£212,500	£100,000	<b>£662,500</b>
<b>NGN</b>	£225,000	£212,500	£175,000	£100,000	<b>£712,500</b>
<b>SGN</b>	£162,500	£212,500	£187,500	£100,000	<b>£662,500</b>
<b>Total</b>	<b>£762,500</b>	<b>£750,000</b>	<b>£762,500</b>	<b>£400,000</b>	<b>£2,675,000</b>

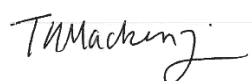
The money rewarded to the GDNs in this scheme will be added to the GDNs' 2022/23 revenues.

### **Next steps**

We expect the work from RIIO-1 to be embedded and carried forward into business as usual in RIIO-2. Our new £60m RIIO-2 Vulnerability and Carbon Monoxide Allowance, will continue to support social and CO safety initiatives, alongside a new annual showcase event. RIIO-2 also provided funding for each GDN's Environmental Action Plan over the next five years and progress will be publicly reported through their new Annual Environmental Reports.

If you have any queries about this letter please contact Rebecca Pickett at [Rebecca.Pickett@ofgem.gov.uk](mailto:Rebecca.Pickett@ofgem.gov.uk).

Yours faithfully,



**Thomas Mackenzie**  
**Head of Gas Development**  
**Systems & Networks**