



Making a positive difference  
for energy consumers

Gas Distribution Network  
operators and Stakeholders

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Dear Company Secretaries and Stakeholders

**Decision on a proposal to update the Vulnerability and Carbon Monoxide Allowance (VCMA) Governance Document**

1. We published a consultation on 11 November 2024 on proposed changes to the VCMA Governance Document. Following the consultation, we have decided to make a change to the eligibility criteria for VCMA projects for the servicing, repair and replacement of essential gas appliances.

**Background**

2. We implemented a VCMA use-it-or-lose-it allowance (UIOLI) within RIIO-GD2 as part of our continued focus on vulnerable consumers.
3. The VCMA provides UIOLI funding for Gas Distribution Networks (GDNs) to spend on VCMA Projects focused on vulnerability and carbon monoxide safety initiatives that go beyond activities that are funded through other price control mechanisms or that are required through licence obligations. The VCMA allowance was set at £60m at the time of RIIO-2 Final Determinations ([RIIO-2 Final Determinations](#)). This amount was increased to £171m due to the decision to re-purpose unspent

Fuel Poor Network Extension scheme funds to the VCMA which took effect on 31 July 2023 ([Decision to update RIIO-2 Gas Network VCMA Governance Document](#)).

4. We made a change to the VCMA Governance Document in October 2023 that established an affordability criterion for VCMA projects around the servicing, repair and replacement of essential gas appliances, linking them to the Energy Company Obligation 4 (ECO4) affordability criterion. ECO is a government energy efficiency scheme in Great Britain designed to tackle fuel poverty and to help reduce carbon emissions.
5. The unintended consequence of this was that it created a gap in funding that vulnerable consumers could fall into. This gap meant that consumers who were eligible for means-tested benefits but, for whatever reason, were not in receipt of these benefits, missed out on potential support. Since the 2023 update to the VCMA Governance Document, the GDNs are now unable to act quickly enough, if at all, in the interests of these vulnerable consumers. The effect of this is a significant drop in the number of repairs and replacements of essential gas appliances that GDNs could offer since the change to the VCMA Governance Document.

### **Our consultation to update the VCMA Governance Document**

6. We published a consultation on 11 November 2024 on proposed changes to the VCMA Governance Document ([Proposed changes to eligibility criteria for VCMA projects | Ofgem](#)). The policy intent was to widen the eligibility criterion for VCMA projects for the servicing, repair and replacement of essential gas appliances to enable the GDNs to act with more flexibility in the interests of vulnerable consumers who may not be eligible under the ECO4 criteria. Respondents were asked if they agreed with our policy intent and the proposed amendments.
7. In total we received seven responses to the consultations from four GDNs, two consumer bodies and one other interested party. Of these responses, all consultees commented on the consultation question we asked.

### *Consultation Responses*

8. All but one of the consultees that responded agreed on the proposed changes to widen the eligibility criteria.

9. All four GDNs and the NEA confirmed their support for the extension of the eligibility criteria and commented that it would allow greater opportunity for proactive servicing of appliances for vulnerable consumers, as the changes remove the chance that consumers would be left worse off from a GDN's visit.
10. The GDNs also shared their desire for further clarification regarding the reporting requirements that we have for their spending on these activities, with SGN suggesting that it be an additional line in their quarterly submitted VCMA spend.
11. Citizens Advice (CA) offered two pieces of feedback on this consultation:
  - a. support for the expansion of the eligibility criteria for vulnerable consumers in certain cases.
  - b. It queried whether enough thought had been given to whether all opportunities under ECO, ECO4 Flex and other government schemes to replace appliances with low-carbon alternatives were considered before using VCMA funds. Though not appropriate in all circumstances, especially in emergencies, CA argued that Ofgem should ensure all options in the consumers' interests are pursued as this provides important flexibility for those households to be supported.
12. The one other respondent that disagreed with our consultation position did so on the basis that it believed the FPNES funding allocated to the VCMA in 2023 should have been returned to consumers to reduce energy bills.

### *Our view*

13. We consider that, by allowing an expanded scope for essential gas appliance repair and replacement, the GDNs can support more consumers in vulnerable situations through the VCMA.
14. We agree with the GDNs that the potential that consumers having appliances serviced could be left worse off from a visit is not in consumers' interests, and believe the changes made to the VCMA Governance Document give sufficient flexibility to the GDNs to respond to the needs of vulnerable consumers within their network areas.
15. We also agree with the GDNs' proposed method of reporting the costs of these projects in their quarterly expenditure updates.
16. Regarding CA's point on opportunities within ECO, ECO4 Flex and other government schemes, we believe that the GDNs should have the flexibility to help

vulnerable consumers in the way most appropriate for the vulnerable consumer's needs. These projects represent a very low percentage of GDNs' total VCMA spend, and we do not ringfence a percentage of VCMA allowance to be spent on these projects nor do our proposals mandate GDNs to use VCMA funding in this way. GDNs are already required to provide us with details of the expenditure incurred in respect of any VCMA Project, on a quarterly basis and they will also be giving us details of future spend on this area. We believe the changes will allow the GDNs to have the flexibility to act quickly in emergent situations in the interests of vulnerable consumers.

17. The comment regarding our one off decision to repurpose FPNES funds into the VCMA refers to our [Consultation on modification to the Vulnerability and Carbon Monoxide Allowance \(VCMA\) Governance Document | Ofgem](#). We published our decision on October 2023 and set out the reasons for that decision there ([Decision to update RIIO-2 Gas Network Vulnerability and Carbon Monoxide Allowance Governance Document | Ofgem](#)).

#### *Decision*

18. After reviewing and considering all the consultation responses, we have decided to implement the changes as proposed. The changes to the VCMA Governance Document will widen the eligibility criteria for VCMA projects for the servicing, repair and replacement of essential gas appliances, allowing the GDNs to act faster in supporting vulnerable consumers.
19. We have also decided to amend the format of Table 1 and Table 2 in the Governance Document to improve the accessibility of the document. Whilst we did not consult on these format changes, they do not constitute a material change in content and are made purely for accessibility purposes. The changes include adding a number of extra rows into Table 1 and making Table 2 a separate appendix (Appendix 2) so that they are both accessible to those using screen readers.

Yours sincerely,

**David McCrone**

Head of Price Control Operations Policy

For and on behalf of the Authority