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Dear the RIIO-3 Team ([RIIO3@ofgem.gov.uk](mailto:RIIO3@ofgem.gov.uk)),

### **Call for Evidence on the Electricity Transmission, Gas Transmission and Gas Distribution Business Plans for RIIO-3**

Thank you for the opportunity to respond to this call for evidence. We do so in the capacity of an integral partner business that GDNs rely on currently, and will likely continue to utilise, to deliver the net zero transformation and core aspects of their vulnerability and fuel poverty commitments, as outlined in their recently published RIIO-GD3 business plans.

YES Energy Solutions (YES) is a community interest company dedicated to alleviating fuel poverty and reducing CO2 emissions. We manage a range of energy efficiency programmes for energy suppliers (via the Energy Company Obligation) and local authorities (via contracted works such as the LAD, SHDF and HUG) and offer a comprehensive commercial offering including a holistic advice service for energy consumers across Great Britain. As part of the latter, we currently work with eight of the ten DNO and GDNs, delivering fuel poverty support services and net zero readiness assessments (advice regarding low carbon technologies, as part of the 'no one left behind' agenda). We are on track to support 20,000 customers in vulnerable situations on behalf of the energy network operators this year.

We are therefore commenting on the following business plans:

- SGN: Chapter 4
- Cadent: 'Our commitments' > High quality service
- Wales and West Utilities: Chapter 2.3

This response is not confidential. Our views are summarised as follows:

#### These are well-justified, co-created commitments:

YES has been consulted extensively as the above companies developed their GD3 plans, participating in numerous workshops, commitment-refining sessions and surveys as part of their stakeholder engagement programmes. In our view their commitments relating to customers in vulnerable circumstances and fuel poverty are reflective of the strong stakeholder consensus observed at these sessions. We are therefore supportive of the considered proposals put forward by SGN, Cadent and WWU and in particular the utilisation of a continued use-it-or-lose-it Vulnerability and Carbon Monoxide Allowance (VCMA) allowance.

#### Any reduction in VCMA funding would be highly damaging to the vulnerable customer support sector:

YES has seen first-hand the vital outcomes VCMA funding is achieving for vulnerable consumers at a crucial time in the smart energy transition. With data demonstrating that 46% of the population faces some vulnerability, while transient issues mean this number is likely much higher, there is a need for DNOs and GDNs to continue to take transparent and appropriate action. Any reduction in support provision at this time would be highly damaging for the vulnerability support sector and miss opportunities to help those who desperately need targeted interventions. Moreover, the sustained cost of living crisis is generating immediate, short-term pressures that if left unaddressed

serve as significant barriers for consumers to engage with GDNs and their support partners on vital topics that will help to ensure no one is left behind in the net zero transition.

GDNs have made excellent use of the repurposed FPNES funding in RIIO-GD2 and have established high performing, enduring models of support for customers who desperately need it and would otherwise remain hard-to-reach. Were VCMA funding to decrease at this crucial time, customers risk missing out on the support they need and undoing the excellent foundations the GDNs have laid in RIIO-GD2. They have established extensive links with hundreds of front-line, community-based organisations, of which YES is one example. Consistency will allow increased visibility, transparency, scale and interconnection (enabling greater collaboration between funded parties) of this support. Organisations involved in these schemes require long-term certainty to achieve maximum customer benefits and efficient delivery. Piecemeal funding often leads to focussing on short-term goals and 'quick win' support. With greater certainty and longer-term contracts, GDNs and their partner agencies are able to devise strategic schemes that build enduring customer relationships, enabling deeper and more sustained benefits to be achieved.

Network companies are uniquely placed to achieve the greatest benefits and social value return on investment: GDNs remain well placed through their geography, integral community links, and day-to-day interactions with energy consumers (via gas outages and planned capital works) to play a vital convening role – bringing together otherwise disparate support services to enable customers to access holistic, joined-up help. Networks enjoy a higher level of trust than other parties in the energy sector (such as energy suppliers) and can therefore facilitate support that achieves significant social value and enduring impacts for those supported. It is important that Ofgem continues to ensure there are robust metrics in place for these social return on investments, and these are published, to support comparative assessments on delivery and better targeting of customer funding.

YES can speak first-hand to the validity of the positive outcomes the GDNs are enabling. We currently support around 12,500 customers per year on behalf of these three GDNs. Without this funding these customers would not receive this support. We are consistently achieving a return on investment in the range of £4-5 (support dependant) for every £1 spent, based solely on the direct energy savings and bill reductions customers are confirming to us. Over and above this, additional qualitative benefits such as improved health outcomes, improved energy management skills and reduced use of wider public services are achieved. When robustly measured as part of the industry-agreed SROI framework, this regularly returns an overall SROI of ~£9, which is a highly impressive level of social impact.

While the statistics alone are impressive, this only tells part of the story. Behind each of those 12,500 customers are case studies of families and individuals who are in desperate circumstances, struggling with crippling household debts, dealing with poor mental health and confused even by the basics of light-touch energy efficiency measures (such as draught proofing) and smart meters, let alone understanding their pathway to larger energy efficiency works (such as whole house retrofit services) and low carbon technology installations. The continuation of VCMA funding at broadly consistent levels to today will guarantee huge positive outcomes for customers. Were it to be reduced, it would leave a major hole in the provision of robust, individually-tailored energy advice funding across Great Britain.

The foundations laid in RIIO-GD2 will enable more efficient delivery in GD3, enabling support to go further: All GDNs are rightly proposing to improve the efficiency of their delivery in GD3, which they have been consistently challenged by stakeholders to do. Their GD3 business plans commit to build on the infrastructure established in GD2 to reduce the cost to serve per customer through longer-term contracts, better social demographic data (to target those in greatest need of support), and utilising the now well-established systems and reporting procedures (that would only need to be replicated and expanded in GD3, not built from scratch).

In the interests of efficiency and value for money, the GDNs seek to support existing services rather than provide direct support. Each company has established a network of partnerships with charitable organisations who have benefited from skills, capacity building and funding. If this was no longer available, both the charities and those who rely on them will lose out - setting the industry back at a crucial time of seeking to win consumer trust and support them through the smart energy transition. It may also stifle collaboration. The current funding levels have allowed GDNs to trial new joined-up models of support. Recently, Cadent's Warm Homes Network initiative, which brings together support from YES (energy advice), Citizens Advice (debts and income maximisation advice) and Turn2Us (benefits support) has been expanded to incorporate Northern Gas Networks and extend support within their geographies utilising the same systems and processes. By doing so, alongside other economies of scale, YES has been able to reduce the average cost to serve per customer by 26%.

SGN, Cadent and WWU are all proposing significant increases (around double from GD2 levels) in the volumes of customers they will support (SGN: 650,000; Cadent: 500,000; WWU: 726,000) while maintaining VCMA funding at GD2 levels. This presents excellent value for money, and Ofgem can have high confidence in the scale of savings and social value these customers will achieve, based on the track record of proven delivery and quality in GD2.

The net zero transition requires long-term commitment, which a reduction in allowances in GD3 would put at risk: In our view, it is vital that Ofgem encourages a longer-term commitment for GDNs to build enduring relationships with customers. We would like to see repeat contact with customers over time (to build their energy management capabilities over time) being explicitly encouraged within the scope of the VCMA incentive. Only by doing so will the appropriate depth of service be delivered to enable customers to build their knowledge, confidence and competence to the level needed to ensure they permanently benefit from low carbon technologies and the net zero transition, rather than achieving short-term positive impacts.

As an experienced provider of these services, YES can confirm this is a customer demographic whose overall capability levels managing their energy, and trust in the energy sector as a whole, can be low. They therefore require sustained support over time. The VCMA proposals submitted by the companies offer a credible pathway to achieve this, but we feel Ofgem must mandate GDNs to include a significant proportion of "revisited customers" within their targets. Receiving 'top-up' advice may achieve a lower in-year SROI compared to a customer contacted for the first time, but the depth of their knowledge and long-term competencies will be building, which has significant long-term value. In the same way that Ofgem has encouraged periodic contact with PSR customers to maintain high quality data records as well as to build their resilience skills over time (not just incentivising new customers being registered year-on-year), the same approach should be taken to fuel poverty and LCT support.

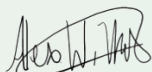
There are only 25 years between now and the legally binding 2050 net zero targets. As Ofgem has rightly recognised within its wider RIIO3 consultations, the 'no one left behind by the energy system transition' is therefore a long-term project, with opportunities for customers to fall into and out of risk throughout this period. It therefore requires measurement and interventions over time. For example, the first step is often to build knowledge about the types of LCTs available, suitability at each specific property and the likely benefits that could be achieved. Step two is to address the property's readiness for such an installation (e.g. improve the core energy efficiency fabric, and support to increase the household income). Step three is then to enable an LCT installation and eligibility for potential funding support to do so. Looking further to the future, step four will be to enable a portion of these customers to maximise their LCT installation to participate in schemes such as demand side response and flexibility markets (either directly or through others). Having achieved such positive outcomes in GD2, companies should be encouraged to re-engage these customers as part of their GD3 programmes, alongside their targets to identify new customers to

receive support for the first time. This will lead to efficient, long-term outcomes and ensure that a continuation of VCMA funding at present levels achieves deeper and more sustainable outcomes over time.

We understand that a key function of Ofgem's role is to evaluate "is there someone else who could/should be doing this activity" and are the regulated networks therefore best placed to do so. In YES' view, we do not see other parties that could be doing this activity in a more effective or holistic way than the GDNs and DNOs, who are uniquely placed based on their regional footprints to deliver in a consistent manner, with minimum regulated standards used to avoid there being an undue 'postcode lottery' in the scale and quality of support. A reduction in VCMA funding would put at risk the long-term, enduring support for customers in vulnerable situations that is desperately needed. Instead, it may lead GDNs to utilise a reduced allowance to support a lower number of customers to achieve very high in-year SROI support via quick wins in energy reduction behaviours that are unlikely to be sustained over time. Such interventions do not therefore help the long-term journey to ensure customers are not left behind in the energy transition.

Thank you again for the opportunity to respond to this call for evidence. If there are any aspects you would like to discuss in more detail, please get in touch.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alex Wilkes'.

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