



## Report on the Gas Discretionary Reward Scheme 2010/11

### Introduction

The aim of the discretionary reward scheme ("the scheme") is to encourage and drive performance in areas that cannot be easily measured or incentivised through more mechanistic regimes.

The scheme aims to recognise leading performance and beacons of excellence within the industry and drive innovation and creativity through the promotion of best practice.

The scheme is designed to reward the performance of those GDNs which best serve the interests of customers across the specified categories. It is not intended as a means to fund GDN initiatives which have not yet been implemented.

This is the third year of the scheme, and progress has been made since last year's benchmark. The scheme has a maximum annual reward of £4 million, available across all GDNs, and covers three areas:

- Initiatives which reduce the environmental impact of gas distribution
- Initiatives which facilitate network extensions, particularly those that increase the affordability of network extensions for fuel poor consumers and
- Schemes to promote gas safety, including awareness of the dangers of carbon monoxide

All GDNs submitted one application for each category this year.

The panel for the 2010/11 scheme was chaired by Sarah Harrison, Senior Partner Sustainable Development, Ofgem. The other five members of the panel were:

- Audrey Gallacher, Head of Consumer Focus
- Simon Roberts, Chief Executive, Centre for Sustainable Energy
- Janet Wood, Utility Week
- Tony Grayling, Environment Agency
- Derek Lickorish, Chair of the Fuel Poverty Advisory Group
- Clare Curtis-Thomas, Chief Executive, Institute of Gas Engineers and Managers (IGEM).

### Decision

The Panel thanked all of the GDNs who attended the Q&A session and expressed their gratitude to the people involved in the development of initiatives submitted this year. The panel was keen to reiterate the main aims of the scheme which are to encourage innovation and creativity and showcase best practice. The expectation is that successful schemes will be replicated across the industry for the benefit of consumers.

The total amount rewarded this year was £3,100,000 out of a possible £4 million. This reflected the panel's view that significant progress was achieved from last year's initiatives and they wanted to reward the continuity and scope of such initiatives. On the other hand, the panel believed there was still room for improvement and the GDNs should show more willingness to incorporate best practices into their business processes and build upon them.

### Environment Category

In the Environmental Category a total of £1,050,000 was awarded out of the suggested allocation of £1,500,000.

SGN was awarded £400,000 for the scope and range of its initiatives, particularly their work on facilitating connection of Biogas and the extent to which this is embedded within a wider environmental strategy. NGG was also awarded £400,000 for the wide range of environmental initiatives and their creative approach to waste management as showcased by their meter recycling initiative (MARC). NGN was awarded £200,000 for developing connections standards and partnerships with developers of bio-methane plants which will have a wider application across the sector. WWU was awarded £50,000 in recognition of the progress made in developing a coherent environmental strategy.

### Network Extensions Category

In the Networks Extensions Category a total of £750,000 was awarded out of the suggested allocation of £1,000,000.

SGN received £400,000 for the overall strategy for alleviating fuel poverty and their approach in identifying and contacting vulnerable groups eligible for connection to the gas network. The panel was impressed by specific initiatives such as Park homes where there was direct engagement with customers and an effort to cater for their specific needs. NGG was awarded £200,000 for the wide range of their initiatives, their systematic approach to facilitating network extensions, and specific initiatives such as affordable warmth solutions. WWU was awarded £100,000 for their GIS mapping initiative and their work with the Welsh Assembly Government Climate Change division which will have a wider application across the sector by making this data accessible to government agencies and other interested organisations. NGN was awarded £50,000 for their work on the community based scheme reporting which linked data from carbon savings statistics, fuel and SAP ratings.

### Gas Safety Category

In the Gas Safety Category a total of £1,300,000 was awarded out of the suggested allocation of £1,500,000.

Under this category, SGN was awarded £500,000 for the significant progress made on their Carbon Monoxide (CO) safety initiatives, particularly for the work done in identifying health impacts of CO exposure. NGG was awarded £400,000 in recognition of their overall approach to CO safety which is underpinned by a clear and coherent strategy. The panel was impressed by the Cub Scout badge initiative and encourage GDNs to establish partnerships with industry stakeholders to support its replication elsewhere. NGN received £200,000 in recognition of their 'It's your call' Initiative which encourages a sense of personal responsibility and among staff and awareness around the company's service levels. Finally, WWU was awarded £200,000 for carrying out location data analysis to identify CO hot spots and low penetration of alarms in order to better target areas for their CO safety initiatives.

### **Areas for improvement**

The total amount awarded in this year's scheme was £3,100,000 out of a possible £4m. This year the panel allocated £1,100,000 more than last year to recognise the progress the GDNs have made in developing a more coherent strategy around their environmental and CO safety initiatives.

The panel thought that SGN and NGG's submissions showed the highest quality and the greatest depth across all three categories.

However, the panel agreed that feedback to all the GDNs should touch upon three main areas:

- Importance of having a cross industry dialogue, sharing best practices and building upon them in these in respective service areas.
- Measuring outcomes and benefits of the ongoing initiatives to establish their impact on customers.
- The importance of talking to, understanding and responding to stakeholders who influence their business.

### **Communications**

We will be making the decision public on the Ofgem website towards the end of September. We will also issue a short Information Note to the trade press.