

# **Report on the Gas Discretionary Reward Scheme 2011/12**

## **Introduction**

A discretionary reward scheme has been in place for gas distribution networks (GDNs) since 2008. The aim of the scheme is to encourage and drive performance in areas of service that we have typically found difficult to measure or incentivise. The scheme covers three areas:

1. Initiatives which reduce the environmental impact of gas distribution
2. Initiatives which facilitate network extensions, particularly those that increase the affordability of network extensions for fuel poor consumers and
3. Schemes promoting gas safety, including awareness of the dangers of carbon monoxide

The scheme has a maximum annual financial reward of £4 million, available across all GDNs.

The scheme is designed to reward the performance of those GDNs that best serve the interests of customers across these specified categories. It recognises leading performance within the industry and aims to drive innovation through the promotion of best practice. It is not intended as a means to fund GDN initiatives which have not yet been implemented.

Each year, GDNs are invited to submit entries to Ofgem detailing the initiatives they consider have best served the interests of customers. This is the fourth year of the scheme, and significant progress has been made since last year.

All GDNs submitted one application for each category this year.

## **The Panel**

- Sarah Harrison, Senior Partner, Sustainable Development, Ofgem (Chair).
- Clare Curtis-Thomas, Chief Executive, Institution of Gas Engineers and Managers (IGEM)
- Audrey Gallacher, Head of Consumer Focus
- Linda Lennard, Consumer affairs expert, George and Lennard Associates
- Simon Roberts, Chief Executive, Centre for Sustainable Energy
- Marion Spain, Senior Director, Ofwat

## **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 this year's submissions. The panel noted the significant progress made by the GDNs which was evidenced by the quality of their submissions and the difficulty in distinguishing between leading and lagging GDNs. As a result, the panel agreed to award £3.95m out of the available £4m this year. The level of reward that the Panel chose to allocate was in recognition of the following -

- the level of collaborative working across the industry in the Carbon Monoxide (CO) safety category
- more generally, the establishment of partnerships and cross-industry dialogue on a number of issues

- the use of good quality data and the effort made to gather, use and manage data to assess the impact of projects
- GDNs' improved understanding of community/customer base/stakeholder needs and use of this knowledge in developing 'whole-house' strategies
- the level of continuity and ongoing commitment displayed to longer term initiatives
- the extent to which some initiatives have been embedded within organisations and are now beginning to become business as usual
- an encouragement to GDNs to continue to consider their activities in a wider context than their core business areas.

### 1. Environment Category

In this category a total of £1.15m was awarded.

- Wales and West Utilities (WWU) was awarded £400,000 for its work on environmental initiatives with the business community; developing an innovative pipe coil trailer and attention to climate change adaptation.
- Northern Gas Networks (NGN) was awarded £300,000 for working to develop technology to enable biomethane gas to enter the system.
- National Grid Gas (NGG) was awarded £300,000 for its wider contribution to environment and the delivery of measurable benefits to UK Plc
- Scotia Gas Networks (SGN) was awarded £150,000 to recognise its continuing work with biomethane and the wide range of initiatives it has progressed in this area.

In this category the panel agreed that GDNs needed to broaden their perspective and move from developing engineering solutions towards a more holistic approach. They believe the GDNs should consider the broader impact of GDNs' activities on the environment and establish partnerships to mitigate and manage this impact.

### 2. Network Extensions Category

In this category a total of 1.2m was awarded.

- WWU was awarded £400,000 for its Geographic Information System (GIS) mapping initiative and its cross-industry partnership work linking gas and electricity networks to tackle fuel poverty.
- NGN was awarded £400,000 for its 'whole house' approach to fuel poverty and its work in unlocking benefits for fuel poor through work with benefits advisors. It was also recognised for developing off-grid solutions for customers in high-rise flats.
- NGG was awarded £200,000 in recognition of the continuity and support of a range of initiatives. Additionally, it has used data from DECC on fuel poor and overlaid its network areas to map and identify people that may be in fuel poverty and live within 2km of the network.
- SGN was awarded £200,000 for its innovative work on district heating schemes, making use of fuel-switching funds.

The panel commented on the significant progress made in this area. They were impressed with the companies' commitment to move beyond network extensions towards a more holistic approach to fuel poverty. They stressed the importance of forging partnerships and making use of the contacts and relationships already established in this area and sharing them with other industries and potential partners.

### 3. Gas Safety Category

In this category a total of £1.6m was awarded to the four GDNs.

- WWU was awarded £400,000 for its work in raising the profile and importance of this issue within its business. It has also stepped up its communication and awareness methods among its target audience by attending agricultural shows (7% of its targeted population attends these events) and developing a thriller style movie around the dangers of CO.
- NGN was awarded £400,000 for its innovative approach in targeting communications at young and vulnerable groups by developing an App for young adults and an over 60s Ambassadors campaign. The Panel noted NGN's commitment to sharing the benefits of these initiatives with other GDNs and health agencies.
- NGG was awarded £400,000 for its overall CO strategy and to encourage the continuity of its Cub Scout badge initiative.
- SGN was awarded £400,000 for its progress on its CO initiatives including research and leading an all-party Gas Safety group across industry, government and particularly the health service.

To reflect the importance of this area, each company was awarded the same amount of £400,000 to encourage a more collaborative approach and the further development of ongoing initiatives. Both WWU and NGN received a special mention for their initiatives which value diversity and target specific audiences.

### **Areas for improvement**

The total amount awarded in this year's scheme was £3.95m out of a possible £4m which reflects the panel's view of the GDNs' continuous improvement and commitment to the scheme.

This year the panel commented on the difficulty in differentiating among the GDNs which meant there were no clear leaders. They also agreed that the feedback to be provided to the GDNs in light of this year's submissions and Q&A session should include:

- recognition of:
  - overall progress and evidence of a strategic driven approach;
  - good partnerships and cross industry dialogue.
- encouragement of GDNs to:
  - continue to forge cross industry partnerships and foster a more collaborative approach in all reward categories;
  - continue sharing data among themselves and across the industry and rely on data analysis to inform their project decisions;
  - gain a better understanding of their role within their communities; and move beyond marketing/communication initiatives in CO and step up the cross-industry dialogue and partnerships to provide a consistently strong approach.