

## RIIO-2 Sector Specific Methodology Consultation: Gas Distribution

This consultation response represents the informed view of Policy Connect. Policy Connect is a cross-party think-tank that brings together cross-sectoral bodies - industry, academia, the third sector and parliamentarians - to identify what changes are needed in public policy and its implementation in order to improve people's lives. In relation to the energy sector, Policy Connect also facilitates the All-Party Parliamentary Carbon Monoxide Group (APPCOG), which is funded by a range of organisations including the four Gas Distribution Networks (GDNs). Whilst Policy Connect has discussed the RIIO-2 with the GDNs in general terms, we have not discussed this consultation or our response with them. This response is not the official view of the APPCOG, or representative of the views of its funders.

Policy Connect strongly agrees that Ofgem and RIIO-2 should aim to ensure that a) network companies have incentives to support consumers in vulnerable situations, b) a key aspect of this objective is to reduce the risk of CO poisoning of gas consumers, and c) this work goes beyond 'business as usual' i.e. the GDNs' core objectives. Policy Connect also agrees that the GDNs have an important continued role to play in preventing CO poisoning, by funding research and delivering CO safety activities including educating on the dangers of CO. Current work requires considerable collaboration, for example with the health service and consumer groups as well as across the GDNs, and RIIO-2's incentives need to take account of the importance of collaborative working.

Our clear recommendation is to use RIIO-2 to increase financial incentives to drive an ever higher level of innovation and partnership working. In making this recommendation we take into account that the separation between GDNs and consumers reduces the power of consumers to influence GDN activity, and therefore puts greater emphasis on incentives through RIIO-2 price controls.

In addition to these general comments, we will respond specifically to GDQs 7, 8, 9 and 12.

### **GDQ7. What is your preference on the two approaches we have outlined to implement the allowance, and why?**

Our preference is Option 1: Flexible Strategy. Research continues to be carried out to build our understanding of CO poisoning, including methods of detection and diagnosis. Work also continues to identify the best ways of preventing CO poisoning, through regulation and accreditation. In consequence Government and other activity supporting vulnerable consumers could have changed dramatically by the end of the price control period; a flexible allowance would allow the GDNs to ensure their support for consumers is the best use of money and effort, and respond to research developments and other changes in circumstances. We believe that the security of knowing that they will be able to adapt plans in response to changes in regulation or circumstances will make the GDNs' work on vulnerability more innovative and aspirational.

### **GDQ8: What examples can you provide of initiatives that could be funded through the allowance, and please explain why these activities would not go ahead without specific price control funding?**

As we are not a GDN, we do not want to prescribe what types of initiatives could or should be funded through the allowance. We are excited by the potential avenues that the our preferred options for GDQ7 (Flexible Strategy) and GDQ9 (Combined Package) could open up to GDNs, such as developing the scope of their partnership work, new programmes on wider CO awareness, and

funding innovative and necessary new research into the causes and effects of CO, for example through industry PhDs.

In our experience, the community and social responsibility teams at the GDNS have a genuine commitment to improving the lives of vulnerable customers and raising awareness of CO. Both through their partnership working and independent programmes, including Safety Seymour, capping the cookers of those with dementia, running the CO Safety in Schools Competition, innovation in the way they target fuel poor households, joint research they have funded, and many other examples, they have demonstrated that being given the space and funding to innovate and invest is beneficial for the consumers in their networks. We believe in the ability of the GDNS to innovate and develop extensive programmes to improve the lives of their vulnerable consumers and raise awareness of CO more generally, however we are concerned that without specific price control funding commercial pressures could adversely impact their confidence and ability to do this.

**GDQ9: What is your preference on the three potential options we have outlined for a consumer vulnerability package, and why?**

Our preferred option for the consumer vulnerability package is the Combined Package. We believe that the Combined Package will ensure that GDNs are more responsive to the changing needs of the vulnerable elements of their consumer base and more innovative than they would be under either the Enhanced Minimum or Incentive Based options on their own. In particular, we are clear that a specific funding stream is needed – i.e. the proposed ‘use-it-or-lose-it allowance’ with its upfront funding – as this will incentivise GDNs to deliver novel and innovative initiatives, and carry out collaborative working. We look forward to seeing how ‘value for money’ will be assessed in this case, and where responsibility will fall in setting outcomes for projects funded under such an initiative. We strongly support the inclusion of CO safety within this package.

**GDQ12. How can we ensure that the FPNES is better coordinated with other funding sources to provide a whole house solution for the household?**

One mechanism for both improving targeting and better coordinating funding sources to provide whole house solutions to fuel poverty is to specifically incentivise GDNs’ partnership working through measures under our preferred combined package, as outlined in our response to GDQ9. At the APPCOG roundtable, ‘Vulnerability, Fuel Poverty and CO’, in October 2018 it was highlighted how working with trusted local partners allows GDNs to more effectively target and reach those in fuel poverty. This is due to the visibility of and reputation of local partner organisations within the community, and their more in-depth knowledge of communities and other fuel poverty support. Local partners are able to identify and get alongside recipients, guiding them through the process as well as signposting where they may be eligible for other fuel poverty initiatives and support to deliver a whole house solution to fuel poverty. Through these partnerships, GDNs can ensure appropriate targeting of and access to wider services for those in fuel poverty.

**ENDS**

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