

# Governance

## Gas Network Vulnerability and Carbon Monoxide Allowance (VCMA) Governance Document

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### Overview:

This document is version 1 of the Gas Network Vulnerability and Carbon Monoxide Allowance (VCMA) Governance Document referred to under Special Condition [3.8] of the Gas Transporter Licence.

As part of our continued focus on customers in vulnerable situations, we have implemented a vulnerability and carbon monoxide awareness use-it or lose-it allowance within RIIO-GD2.

This document is a working draft and the content is in line with our Draft Determinations proposals, which is currently under consultation. However our Final Determinations will be published later in the year. We will ensure that the governance document is updated to appropriately reflect our consideration of RIIO-2 Draft Determination responses and our Final Determinations.

**It is the responsibility of each Network Licensee to understand the provisions of this Governance Document and how those provisions apply to it.**

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## 1. Introduction

### Chapter Summary

This chapter sets out the purpose and objectives of the Vulnerability and Carbon Monoxide Allowance (VCMA).

- 1.1. The Vulnerability and Carbon Monoxide (CO) Safety Allowance provides funding for GDNs to utilise on projects focused on vulnerability and CO safety initiatives that go beyond business as usual.
- 1.2. The allowance is set at £30million. 25% of the allowance is ring-fenced for collaborative projects between the GDNs. The remaining 75% is split between each network based on the number of customers connected.
- 1.3. Each networks' proportion of the allowance is set out within the Gas Transporters Licence (Special Condition 3.8).

### The VCMA Governance Document

- 1.4. This document is the VCMA Governance Document and sets out the regulation, governance and administration of the Vulnerability and Carbon Monoxide allowance.
- 1.5. In this document, we use the terms 'Ofgem' and 'the Authority' as well as the terms 'we', 'us' and 'our' interchangeably. Ofgem is the Office of the Gas and Electricity Markets. The Authority is the Gas and Electricity Markets Authority and is the governing body of Ofgem, consisting of non-executive and executive members.

### Compliance

- 1.6. Gas Distribution Networks (GDNs) are required by the VCMA Licence Condition to comply with this document as if it formed part of their licence.
- 1.7. This document in no way relieve affected parties, including GDNs and Project Partners, from their responsibility to ensure ongoing compliance with legislation including competition, data protection, environment and consumer protection laws.

### Review

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- 1.8. Ofgem may from time to time, following consultation with GDNs and other interested parties, revise this VCMA Governance Document in accordance with the VCMA Licence Condition.

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## 2. VCMA Projects

### Chapter Summary

This chapter sets out the requirements for a project to qualify as an Eligible VCMA Project.

- 2.1. The policy intent of the VCMA is to provide GDNs with funds to provide beyond business as usual projects and initiatives aimed at supporting consumers in vulnerable situations and to address CO safety issues.

### Project portfolio

- 2.2. There will be no requirement for a GDN's Project portfolio to contain a specific percentage split between different types of projects. GDNs will be responsible for ensuring that their programmes of work are tailored to the wants and needs of their customers. We expect the portfolio of projects to be developed through stakeholder engagement and in conjunction with third party organisations to ensure efficient and effective delivery.
- 2.3. There is no minimum size for a project. GDNs must however, ensure that collectively projects funded through the VCMA fall within their maximum allowed expenditure cap. GDNs may wish to provide additional finance to a project outside of the allowances provided with the RIIO-GD2 price control (e.g shareholder funded pots).

## Eligibility Criteria

### Eligibility criteria for company specific projects

- 2.4. In order to qualify as a VCMA Project, a project must:
- a. have the potential to have a direct net benefit to the customers on a GDN's network,
  - b. provide a direct net benefit to consumers in vulnerable situations, provide awareness from the dangers of CO or, reduce the risk of health issues caused by CO,

- c. have defined outputs or deliverables,
- d. have a positive Social Return or Investment (SROI),
- e. relate to the GDNs role as a gas network company,
- f. go beyond what we expect from GDNs as business as usual, for example activities funded through the price control and required through license obligations, and
- g. the activity cannot be delivered through other funding sources, including through innovation funding or other government (national, devolved or local) funding.

2.5. The installation of energy efficiency measures are not eligible as VCMA Projects.

#### **Eligibility criteria for collaborative projects**

2.6. In order to qualify as a Collaborative VCMA Project, a project must meet the requirements set out in paragraph 2.4 and must also:

- a. involve one or more GDNs, and
- b. have the potential to have a direct net benefit to customers on the participating networks.

#### **Project Registration**

2.7. Before starting a VCMA Project the GDNs must produce a Project Eligibility Assessment (PEA). In the PEA, GDNs must demonstrate that the project meets the specific requirements set out in paragraphs 2.4 to 2.5 above and why the GDN is not implementing the project as part of its normal business activity. This assessment should be signed by the senior person responsible for implementing VCMA Projects and published on [to be decided].

2.8. In addition to the PEA, GDNs must also provide all of the information as requested in Table 1 below.

**Table 1: Information required for the registration of VCMA Projects**

<b>Information required</b>	<b>Description</b>
Project title	
Funding GDN(s)	The Network Licensee(s) which register(s) the project
Date	
Project contact name and number	
Problem(s)	This should outline the Problem(s) which is/are being addressed by the project.
Scope and Objectives	The scope and objectives of the project should be clearly defined including the benefits which would directly impact consumers on the Funding Licensees network.
Why the Project is being funded through the VCMA	This should outline why the project is being funded, and provide justification that the project meets the VMCA Eligibility Criteria.
Evidence of stakeholder/customer support	This should provide information of the customer engagement that has taken place in development of projects.
Outputs, deliverables and Success criteria	Details of the project outputs and deliverables, and how the Funding Licensee will evaluate whether the project has been successful. Each output or deliverable should have a proportion of the funding allocated.
Project Partners and third parties involved	Details of Project Partners or third party involvement
Potential for new learning	Details of what the parties expect to learn and how the learning will be disseminated.
Scale of Project	The Funding Licensee should justify the scale of the project – including the scale of the investment relative to the potential benefits.
Project start and end date.	
Geographical area	Details of where the project will take place. If the project is a Collaboration Project, the Funding Licensee area(s) in which the project will take place should be identified.



Information required	Description
Total funding required	Total funding required for the project.
Remaining amount in the allowance	Remaining funding left in the Licensees funding pot.

## Annual reporting obligations

2.9. The GDN must produce an annual report on its use of the VCMA and the progress of the VCMA Projects.

2.10. The GDN must send a copy of the annual report to Ofgem and make it available publically [on its website] by [1 May] each year.

2.11. The annual report should include an overview of VCMA use. This should outline how much of the allowance has been spent, how much is remaining and a breakdown of projects funded through the allowance.

2.12. For each VCMA Project carried out in the relevant year, the annual report should include:

- **Summary of project progress:** This should describe the general progress of the project, any notable outputs or deliverables achieved in the relevant period, and any problems encountered. If a project has been completed, this must be indicated clearly.
- **Funding update:** The GDN should report on expenditure (incurred and expected).
- **Update on outputs and deliverables:** This should describe the VCMA Project progress or delivery against the outputs, deliverables and success criteria set out in the PEA, and outline any challenges the GDN may face in the next year in achieving these.
- **Details on any learning and stakeholder engagement**
- **Remaining timescales:** This should outline how much time is remaining for the project.

- 2.13. The GDN can choose to report on collaborative projects individually or through a joint GDN report, which complies with the requirements set out in this section.

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### 3. Annual showcase event

- 3.1. The GDN must collectively with such other GDNs that are required to comply with this Governance Document organise an annual conference. The annual conference will be held every Regulatory Year for GDN's, partner organisations, and interested third parties. The GDN must highlight the key outcomes that have been achieved by the GDN since the previous annual conference.
- 3.2. When organising the annual conference, the GDNs must engage with stakeholders, including but not limited to Citizens Advice and Citizens Advice Scotland, to ensure it effectively shares best practice and learnings.
- 3.3. The GDN may charge attendees a nominal sum for attending the conference. The GDN's income from charges is not to exceed the efficient cost to the licensee of organising the conference.
- 3.4. [GDNs will be responsible for the format of the annual conference.]

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