Governance

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

Publication date:	06/01/2025
Contact:	David McCrone
Team:	Price Control Operations, Networks
Telephone:	0141 354 5441
Email:	vcma@ofgem.gov.uk

As part of our continued focus on consumers in Vulnerable Situations, we have implemented a vulnerability and carbon monoxide awareness use-it or lose-it allowance ("UIOLI") within RIIO-GD2.

This document is the Gas Network Vulnerability and Carbon Monoxide Allowance ("VCMA") Governance Document ("VCMA Governance Document") referred to in Special Condition 5.4 of the Gas Transporter Licence. The purpose of this document is to set out the regulation, administration and governance of the VCMA, and to obligate the Gas Distribution Networks to hold an annual showcase event.

It is the responsibility of each Network Licensee to understand the provisions of this Governance Document and how those provisions apply to it. This version of the VCMA Governance Document comes into effect on 06 January 2025.

VCMA Governance Document change control log

Version	Date published	Summary of document
V1	26 February 2021	First version of VCMA Governance Document.
V1.1	20 July 2023	Draft with proposed changes to version V1 of VCMA Governance Document issued for consultation.
V2	31 October 2023	Updated VCMA Governance Document which is currently in force.
V2.1	06 January 2025	Change made to eligibility criteria for servicing, repairing and replacing essential gas appliances.

© Crown copyright 2023

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the Open Government Licence.

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

Any enquiries related to the text of this publication should be sent to Ofgem at:

10 South Colonnade, Canary Wharf, London, E14 4PU.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to: psi@nationalarchives.gsi.gov.uk

Contents

Gas Network Vulnerability and Carbon Monoxide Allowance (VCMA) Governance Document 1

1. Introduction 5
The VCMA Governance Document 5
Compliance 5
Review 6

2. VCMA Projects 7
Project portfolio 7
Collaborative VCMA Projects 7
Eligibility Criteria 8
Installation of energy efficiency measures 9
Eligibility criteria for company specific essential gas appliance servicing .. 9
Eligibility criteria for company specific essential gas appliance repair and replacement 10
Eligibility criteria for Collaborative VCMA Projects 11
Project Registration 11
Annual reporting obligations 12
Unspent allowances 13

3. Annual showcase event 14

4. Glossary 16

Appendix 1 – Use of eligible criteria of Energy Company Obligation (ECO4) in the context of VCMA Projects 17

Appendix 2 – Information required for the registration of VCMA Projects ----------18

1. Introduction

1.1 The Vulnerability and Carbon Monoxide (CO) Allowance (VCMA) provides use-it or lose-it (UIOLI) funding for Gas Distribution Networks (GDNs) to utilise on VCMA Projects focused on vulnerability and CO safety initiatives that go beyond activities that are funded through other price control mechanisms or required through licence obligations.

1.2 The allowance is set at £171m[1]. Of that £171m, 25% is ring-fenced for Collaborative VCMA Projects between GDNs. The remaining 75% is split between each network based on the forecast number of GB domestic gas customers served[2] and can be used either individually or in collaboration with other GDNs.

1.3 Each network's proportion of the total VCMA allowance is set out within its Gas Transporter Licence (Special Condition 5.4).

The VCMA Governance Document

1.4 This document is the VCMA Governance Document. It sets out the regulation, administration, and governance of the VCMA.

1.5 It also includes obligations for GDNs to hold an annual showcase event to present their VCMA Projects and other key vulnerability metrics to stakeholders.

1.6 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

1.7 GDNs are required by the Special Condition 5.4.6 of the Gas Transporter Licence[3] to comply with this document.

---

[1] The original allowance was set at £60m at the time of RIIO-2 Final Determinations. A decision to modify the Gas Transporter Licence Special Condition for Gas Distribution, which took effect from 31 July 2023, increased the total allowance to £171m: https://www.ofgem.gov.uk/publications/decision-modifications-price-control-financial-instruments-and-licence-conditions-gas-transmission-gas-distribution-and-electricity-transmission

[2] See RIIO-2 Final Determinations - GD annex Table 2: https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator

[3] https://www.ofgem.gov.uk/sites/default/files/2023-04/National%20Gas%20Transmission%20Plc%20-%20NTS%20-%20Consolidated%20Special%20Conditions%20-%20Current%20Version.pdf

1.8 This document in no way relieves 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

1.9 Ofgem may from time to time revise this VCMA Governance Document by direction in accordance with the VCMA Licence Condition.

2. VCMA Projects

2.1 The policy intent of the VCMA is to fund VCMA Projects aimed at supporting consumers in Vulnerable Situations and addressing CO safety issues.

Project portfolio

2.2 There is no requirement for a GDN's project portfolio to contain a specific percentage split between different types of VCMA Projects. However, the GDN must ensure that its portfolio of VCMA Projects covers a range of activities and is not solely limited to either consumer vulnerability or CO safety initiatives.

2.3 GDNs are responsible for ensuring that their programmes of work are tailored to the needs of their customers. The portfolio of VCMA Projects should align with the GDN's vulnerability strategy, which we expect to be maintained and updated within the RIIO-GD2 period and should be developed through stakeholder engagement and in conjunction with third party organisations to ensure efficient and effective delivery.

2.4 There is no minimum size for a VCMA Project. However, GDNs must ensure that collectively, VCMA Projects fall within their maximum allowed expenditure cap. GDNs may wish to provide additional funding for a VCMA Project outside of the allowances provided within the RIIO-GD2 price control (e.g. shareholder funded pots).

Collaborative VCMA Projects

2.5 To encourage knowledge sharing across the GDNs, 25% of the VCMA is ring-fenced for Collaborative VCMA Projects. Collaborative VCMA Projects must involve at least two GDNs at a company level. Companies with more than one network must share learning across all of their networks, as appropriate, through their Company Specific VCMA Project allowance.

2.6 The VCMA for Collaborative VCMA Projects that has been provided to each company is set out in the table below.

Table 1: VCMA for Collaborative VCMA Projects by company (£m, 2018/19)[4]

Company	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total[5]**
Cadent total	1.49	1.49	6.09	6.09	6.09	21.25
EoE	0.55	0.55	2.25	2.25	2.25	7.83
Lon	0.31	0.31	1.26	1.26	1.26	4.38
NW	0.37	0.37	1.50	1.50	1.50	5.22
WM	0.27	0.27	1.09	1.09	1.09	3.81
NGN	0.34	0.34	1.41	1.41	1.41	4.92
SGN total	0.81	0.81	3.33	3.33	3.33	11.61
Sc	0.25	0.25	1.03	1.03	1.03	3.59
So	0.56	0.56	2.30	2.30	2.30	8.02
WWU	0.36	0.36	1.46	1.46	1.46	5.09
Total	**3**	**3**	**12.29**	**12.29**	**12.29**	**42.86**

2.7 The share of the VCMA for Collaborative VCMA Projects set out in Table 1 is for administrative purposes only. During a Collaborative VCMA Project, a GDN can, as appropriate, transfer some, or all, of its share to other GDNs to fund the Collaborative VCMA Project, providing there is a benefit to gas consumers on all the networks involved.[6]

2.8 The GDNs must decide collectively how the collaborative VCMA should be spent. The GDNs must ensure that the collaborative VCMA is spent proportionally across the participating network regions.

Eligibility Criteria

2.9 Eligibility criteria for company specific projects (other than condemned essential gas appliance repair and replacement)To qualify as a VCMA Project, a project must:

a)

[4] Allowances per year do not have to be spent within each year and can be rolled over.
[5] Subtotals may not add up to sum of line items due to rounding.
[6] Please note that a transfer in this context does not mean an adjustment to allowed revenues.

i. have a positive, or a forecasted positive, Social Return on Investment (SROI) calculated in accordance with a model which the GDNs have developed and submitted to Ofgem including for the gas consumers funding the VCMA Project, and

ii. have a positive, or a forecasted positive Net Present Value (NPV);

b) either:

i. provide support to consumers in Vulnerable Situations and relate to energy safeguarding, or

ii. provide awareness of the dangers of CO, or

iii. reduce the risk of harm caused by CO;

c) have defined outcomes and the associated actions to achieve the requirements in paragraph b;

d) go beyond activities that are funded through other price control mechanism(s) or required through licence obligations; and

e) not be delivered through other external funding sources directly accessed by a GDN, including through other government (national, devolved or local) funding.[7]

Installation of energy efficiency measures

2.10 The installation of energy efficiency measures is not eligible as a VCMA Project.

2.11 For the avoidance of doubt, the provision of income, debt and energy efficiency advice is permitted, subject to it meeting the eligibility criteria set out in this document.

Eligibility criteria for company specific essential gas appliance servicing

2.12 To qualify as a VCMA Project, essential gas appliance[8] servicing must meet the following criteria:

a)

i. a GDN has had to isolate and condemn an essential gas appliance following a supply interruption or as part of its emergency service role; or

ii. a GDN or its Project Partner has identified an essential gas appliance which has not been serviced in the last 12 months in the owner-occupied home of a customer in a Vulnerable Situation where an occupier of the property

[7] If part, but not full, funding is available through an external funding source for an eligible project, VCMA funding can be used for the remaining amount.
[8] Essential gas appliances are gas fuelled heating systems (including gas boilers and gas fires), and gas cookers.

suffers from a permanent or temporary health condition[9] that makes them more vulnerable to health risks associated with cold homes; or

iii. a GDN or its Project Partner has identified an essential gas appliance which has not been serviced in the last 12 months in a tenant-occupied home of a customer in a Vulnerable Situation where it is the tenant's responsibility to maintain the essential gas appliance, where an occupier of the property suffers from a permanent or temporary health condition that makes them more vulnerable to health risks associated with cold homes; or

b) the household cannot afford to service the essential gas appliance, as assessed against the affordability criteria in the Energy Company Obligation (ECO4) Guidance: Delivery document[10] (see Appendix 1); and

c) sufficient funding is not available from other sources (including a social or private landlord and national, devolved, or local government funding) to fund the essential gas appliance servicing.

Eligibility criteria for company specific essential gas appliance repair and replacement

2.13 To qualify as a VCMA Project, unsafe pipework and essential gas appliance repair or replacement must meet the following criteria:

a)

i. a GDN has had to isolate and condemn unsafe pipework or an essential gas appliance following a supply interruption or as part of its emergency service role; or

ii. A GDN or its Project Partner has had to condemn unsafe pipework, or an essential gas appliance, following an essential gas appliance service (as described in 2.12) and

b)

i. The occupier of the property suffers from a permanent or temporary health condition that makes them more vulnerable to health risks associated with cold homes and has a household income as per ECO4 Income thresholds, or

ii. the household cannot afford to repair or replace unsafe pipework or the essential gas appliance, as assessed against the affordability criteria in the Energy Company Obligation (ECO4) Guidance: Delivery document (see Appendix 1); and

c) sufficient funding is not available from other sources (including national, devolved, or local government funding) to fund the unsafe pipework or the essential gas appliance repair or replacement.

[9] These health conditions include cardiovascular conditions, respiratory conditions, mental health conditions, disabilities, older age (of State Pension age), and young children under the age of 5.
[10] https://www.ofgem.gov.uk/publications/energy-company-obligation-eco4-guidance-delivery

Eligibility criteria for Collaborative VCMA Projects

2.14 To qualify as a Collaborative VCMA Project, a project must:

a) meet the requirements set out in paragraphs 2.9 to 2.13;
b) have the potential to benefit consumers on the participating networks; and
c) involve two, or more, gas distribution companies.

Project Registration

2.15 Before starting a VCMA Project, the GDNs must ensure they meet the eligibility criteria and produce a Project Eligibility Assessment (PEA). In the PEA, GDNs must demonstrate that the VCMA Project meets the eligibility criteria set out in paragraphs 2.9 to 2.14 above. For Collaborative VCMA Projects, participating GDNs may choose to produce an individual or joint PEA.

2.16 If an individual VCMA Project expands into a Collaborative VCMA Project, the Collaborative VCMA Project must be registered as a new project by producing an updated PEA.

2.17 The PEA must be signed by the senior person responsible for implementing VCMA Projects and published on the GDN's website or a central website shared by the GDNs. GDNs must notify Ofgem each time it registers a project by sending an email to vcma@ofgem.gov.uk.

2.18 The information a GDN must provide in the PEA is set out in Appendix 2.

2.19 GDNs must provide Ofgem with an updated PEA if material changes are made to the VCMA Project. The updated PEA must include rationale for the material change to the VCMA Project along with all relevant updates to it (e.g. costs, start/end date, objectives etc.).

2.20 GDNs must provide Ofgem with details of the expenditure incurred in respect of any VCMA Project, on a quarterly basis. The details tracker must be submitted for every quarter by 31 January, 30 April, 31 July and 31 October. For the avoidance of doubt this includes any work completed in accordance with paragraphs 2.12 and 2.13.

2.21 For a VCMA Project with a total VCMA funding requirement of over £1m, the GDN must provide Ofgem with the VCMA Project information 30 working days before the senior person responsible for implementing VCMA Projects signs off on the VCMA Project. The project information provided must be consistent with the requirements in Table 2 insofar as such information is reasonably available at the time. Ofgem may require a GDN to provide further information within 15 working

days of having received the information. A GDN must provide the information required within 5 working days.

2.22 The registration process does not involve Ofgem approving VCMA Projects, and the VCMA Projects will be registered when the GDN publishes the PEA on its website, or a central website shared by the GDNs. In the event that Ofgem finds that a registered VCMA Project does not meet the eligibility criteria or any other requirements set out in this document, we reserve the right to claw back the associated funding through the UIOLI mechanism.

Annual reporting obligations

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

2.24 The GDN must send a copy of the annual report to Ofgem and make it available publicly on its website by 1 July each year.

2.25 The annual report must include an overview of VCMA use. This must outline how much of the VCMA has been spent, how much is remaining, a breakdown of VCMA Projects funded and an overview of how the GDN has engaged with its stakeholders on the use of the VCMA.

2.26 We expect the annual report to be brief and to specify where further detail on VCMA Projects can be found.

2.27 GDNs must use a standardised report template and common terminology in the annual report where possible. The annual report must include as a minimum:

- **Overview of GDN's VCMA details:** This must include information on the current spend level, full 5-year allowance, actual and forecast spend, commitments and outcomes.
- **VCMA strategy progress:** This must describe the general progress of the GDN's VCMA strategy and link the VCMA Project covered by the annual report to the high-level group/themes set out in the GDN's VCMA strategy.
- **Project summary for the reporting year:** This must include a project summary table which details all VCMA Projects covered by the annual report, status, partners, high-level group/theme, SROI and spend. Links to the PEA documents published on the GDN's website and to the relevant VCMA Project section in the annual report (where applicable) must be provided.
- **Plan for the remaining years:** This must describe the GDN's plan on VCMA Projects for the remaining years of RIIO-GD2 period.

2.28 The annual report must also include, for each VCMA Project carried out in that Regulatory Year:

- **Summary of VCMA Project progress:** This must describe the general progress of the VCMA Project against the interim milestones set out in the PEA, any notable outcomes or actions achieved in the relevant period, and any problems encountered. If a VCMA Project has been completed, this must be indicated clearly.
- **Funding update:** The GDN(s) must report on expenditure (incurred and expected).
- **Update on outcomes and associated actions:** This must describe the VCMA Project progress or delivery against the outcomes, associated actions and success criteria set out in the PEA and outline any challenges the GDN may face in achieving these.
- **Details on any learning and stakeholder engagement**: This must describe any new learning(s) achieved, how the learning(s) have been disseminated (if appropriate) and details of what stakeholder engagement on the VCMA Project has taken place where appropriate.
- **Remaining timescales:** This must outline how much time is remaining for the VCMA Project.

2.29 The GDN can choose to report on Collaborative VCMA Projects individually or through a joint GDN report, which complies with the requirements set out in this section.

Unspent allowances

2.30 In the event that the full VCMA is not spent by the end of RIIO-GD2, the unspent proportion of the allowance must be returned to customers via the mechanism set out in Special Condition 5.4 of the GDNs' Gas Transporter Licence. If funding has been transferred as part of a Collaborative VCMA Project, this must go back to the original GDN first.

2.31 In the event that any funding claimed for an eligible VCMA Project is not spent by the end of the project, it must return to its VCMA.

3. Annual showcase event

3.1 The GDNs must collectively, with other GDNs, organise an annual showcase event. The event is for interested stakeholders including charities, local innovators, Project Partners and Ofgem. The GDN must highlight the key outcomes that have been achieved since the previous annual showcase event. It is also an opportunity for GDNs and stakeholders to showcase work and present ideas including, but not limited to, future projects to support consumers in Vulnerable Situations.

3.2 The annual showcase event must be a national event, held in a different network region each year. We also encourage GDNs to carry out smaller events for their regional stakeholders.

3.3 The GDNs must present on at least the following areas at the annual showcase event:

a) progress and outcomes of VCMA Projects;
b) how they have supported Priority Services Register (PSR) needs in the previous year, including outlining the current:
    i. PSR reach by needs code; and
    ii. number and type of services provided to PSR customers;
c) how they have targeted fuel poor households for the purposes of Fuel Poor Network Extension Scheme[11]; and
d) what they have done to improve CO safety and awareness.

3.4 GDNs may use collaborative VCMA funding to cover the efficient cost to the Licensees' of organising the conference. They do not need to register a PEA for this, but must report on spend through the Regulatory Reporting Pack[12].

3.5 GDNs are responsible for the format of the annual conference. However, when organising the annual conference, the GDNs must engage with stakeholders (including but not limited to Citizens Advice and Citizens Advice Scotland) on the agenda, format and arrangements to ensure that the annual conference effectively shares best practice and learnings.

[11] https://www.ofgem.gov.uk/publications/fuel-poor-network-extension-scheme-fpnes-governance-document-0
[12] The Regulatory Reporting Pack is a means by which Ofgem collects cost, volume, allowed expenditure and output delivery information from licensees to monitor performance against their RIIO-2 objectives, output and deliverables.
https://www.ofgem.gov.uk/publications/decision-modifications-regulatory-instructions-and-guidance-rigs-regulatory-reporting-packs-rrps-and-pcfm-guidance-riio-2-year-2

3.6 In consultation with stakeholders, the annual showcase event and the smaller events for regional stakeholders may be held online provided it serves the purposes set out in paragraphs 3.1 to 3.5.

4. Glossary

Collaborative VCMA Project

means a VCMA Project which is funded by more than one of the following: Cadent Gas Ltd, Northern Gas Networks Ltd, the SGN Group and Wales & West Utilities Ltd.

Company Specific VCMA Project

means a VCMA Project which is funded by one person.

Project Partners

means a third-party organisation that makes a contribution which is related to the success of the VCMA Project.

Regulatory Year

means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before 05:00.

VCMA Projects

means projects that meet the eligibility criteria set out in the VCMA Governance Document.

Vulnerable Situations

has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation).

Appendix 1 – Use of eligible criteria of Energy Company Obligation (ECO4) in the context of VCMA Projects

A1.1 When assessing the eligibility of VCMA funded essential gas appliance servicing or unsafe pipework and gas appliance repairs and replacements, the GDN (or its VCMA delivery partner) must apply the criteria as set out in the latest version of the ECO4 Guidance: Delivery document when assessing a customer in Vulnerable Situation's ability to afford essential gas appliance and unsafe pipework repairs, replacements, and servicing.

A1.2 The relevant criteria as set out in the ECO4 Guidance: Delivery document in force as at the date of publication of this document is provided below and applies until it is replaced by new guidance, in which case such new guidance is applicable. A household is eligible if they receive at least one of the following benefits and satisfies the relevant income requirements, where applicable:

A1.3 Income based Jobseekers Allowance

A1.4 Income related Employment and Support Allowance

A1.5 Income Support

A1.6 Pension Credit Guarantee Credit

A1.7 Working Tax Credit

A1.8 Child Tax Credit

A1.9 Universal Credit

A1.10 Housing Benefit

A1.11 Pension Credit Savings Credit

A1.12 Child Benefit (subject to income caps and composition)

A1.13 For the avoidance of doubt, the eligibility criteria as set out in the ECO4 Flex route[13] is not applicable for the purpose of assessing eligibility for VCMA projects.

A1.14 GDNs may either produce their own proforma or work together to produce a common proforma based on the criteria as set out in the ECO4 Guidance: Delivery document in format applicable to the VCMA

[13] ECO4 Flex is a household referral mechanism within the wider ECO4 Scheme which enables Councils to widen the eligibility criteria for ECO, allowing them to tailor energy efficiency schemes to their respective sector:https://www.ofgem.gov.uk/sites/default/files/2022-09/ECO4%20Flex%20fact%20sheet.pdf

Appendix 2 – Information required for the registration of VCMA Projects

Project title:

Funding GDN(s)

The GDN(s) which register(s) the project):

New or updated

State whether this is a new or updated PEA (indicate as appropriate by removing the option that does not apply)

New

Updated

Collaborative VCMA Projects

Specific role(s) of GDN(s) participating in a collaborative VCMA Project:

Date of PEA Submission

This needs to be the initial date of a first project submission.

Submission date:

VCMA Project contact name, email and number

Name:

Email address:

Phone number:

Costs and funding

Total cost (£k):

Total VCMA funding required (£k):

Problem(s)

This should outline the problem(s) which is/are being addressed by the VCMA Project:

Scope and Objectives

Outline the scope and objectives of the VCMA Project. This should be clearly defined including the benefits which would directly impact customers on the participating GDNs' network(s), and where the benefits of the VCMA Projects lie.

Why the Project is being funded through the VCMA

This should include an explanation of why the VCMA Project meets the VMCA eligibility criteria, and how it aligns with the GDN's VCMA strategy.

Evidence of stakeholder or customer support

This should provide information of the stakeholder or customer engagement that has taken place in the development of VCMA Projects where appropriate. If there is no evidence of stakeholder engagement or customer support, this should justify why it was not appropriate to engage with stakeholders and customers.

Outcomes, associated actions and success criteria

Details of the VCMA Project outcomes and the associated actions to achieve these, interim milestones and how the Funding Licensee will evaluate whether the project has been successful. Each action should have a proportion of the funding allocated.

Project Partners and third parties involved

Provide details of Project Partners or third-party involvement.

Potential for new learning

Provide details of what the GDN(s) expect(s) to learn and how the learning will be disseminated.

Scale of VCMA Project and SROI calculations, including NPV

Justify the scale of the VCMA Project – including the scale of the investment relative to its potential benefits. As part of this, the Funding Licensee (s) should provide the SROI calculation, including NPV. Note: The value in numbers of the SROI and NPV must be provided, rather than confirmation of positive impact.

VCMA Project start and end date

Provide details of start and end date of the VCMA Project and, where relevant, the VCMA Project that preceded this initiative.

Geographical area

Provide details of where the VCMA Project will take place. If the VCMA Project is collaborative, the Funding Licensee area(s) in which the project will take place should be identified.

Internal governance and project management evidence

Provide a description of GDN(s) review of proposal and project sign off, with details on how the project will be managed.