

Appendix 16

Customer Vulnerability Strategy

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Executive Summary

Energy is an essential service that affects people's comfort and health, and Cadent play a fundamental role in transporting gas to around 11-million homes (and businesses) across most of England. Without gas, anyone can find themselves vulnerable, without access to heat, hot water and / or adequate cooking facilities. A reliable and affordable supply of energy is critical for all, but for some, the absence, even for a short time can be life-threatening. Our customer vulnerability strategy is centred on providing the energy needed by all our customers to stay independent, safe and healthy in their home.

A Financial Lives survey in May 2022 found that 47% (or 24.9m) of UK adults showed one or more characteristics of vulnerability. Their assessment examines vulnerabilities across four characteristics; health, life events, resilience and capability. As part of their study, they noted that over 1.5 million adults in the UK do not have a bank account, 6.4 million can be described as having very poor literacy skills, 4.5 million have never used the internet and 13.9 million are registered as disabled.

The ongoing cost of living crisis has plunged millions more households into fuel poverty, with National Energy Action now predicting that over 6 million households are finding it difficult to afford to heat their homes. Cadent transports gas to more than 6% of the most deprived Lower Layer Super Output Areas in the UK, but vulnerabilities exist in every single town and village we serve and no two customer scenarios are identical.

There is widespread recognition that the energy market is going through great change with the impact of digitalisation, decarbonisation and decentralisation. These changes will create new costs and benefits. It will change the way consumers interact with energy businesses and their requirements from them. Whilst we cannot say for certain how these changes will impact customers in vulnerable situations, it is clear that needs will change and ultimately we expect to be supporting a somewhat different mix of vulnerable characteristics. This is one of the reasons why we work with over 80 strategic partners and engage with thousands of our customers each year to ensure that our strategy evolves to support customers with their needs today, whilst looking ahead to safeguard others against challenges that are yet to present themselves¹.

Maintaining Our Ambition

We first developed our customer vulnerability strategy in 2018, setting out a clear ambition; to be the number one utility company in supporting customers in vulnerable situations. We define this as:

- Reaching more customers
- Having a greater positive impact
- Delivering greater social value per pound spent than any other UK utility
- Allocating more funding to support customers in vulnerable situations than others
- Being thought leaders and innovators
- Forensically understanding customers' needs and developing new solutions to provide them both internally and through strategic partnerships.
- Being recognised by experts in this space as the go-to utility, being seen as a key strategic partner in designing and delivering a range of support services for customer most in need of them.

Each year, we undertake a comprehensive benchmarking exercise to compare Cadent's customer vulnerability credentials with others' and we are proud that we are extending our position of leadership against other gas distribution networks (GDNs), but are also delivering greater reach, breadth of initiatives, impact and levels of investment than any other UK utility.

¹ For more details on how we have used customer and stakeholder feedback to inform and test our Customer Vulnerability Strategy, see [Appendix 11: Stakeholder Engagement and Decision Log](#) and an [excerpt](#) of it at the back of this document

Capitalising on a privileged position to play a vital role in our communities

Gas distribution businesses, like Cadent are unique in that front-line colleagues enter more houses in the UK than those of almost any other company, engaging with customers in their own environment, whilst not selling them anything. We see this unique privileged position as both an opportunity and also a responsibility to be maximised, playing an essential role within communities to spot where customers may be vulnerable and take action to keep them safe, warm, and independent in their homes.

Whilst all GDNs share this privileged position, we have gone further to ensure that we can (and do) maximise the opportunities that this creates. Along with training (annually) all front-line colleagues to spot signs of vulnerability and feel confident and empowered to act, we have developed and embedded four strategic levers:

Strategic levers to spot signs of vulnerability	
Enhanced data	Working with leading data providers including Google to generate high-quality, bespoke social mapping data management tools that enable us to target the services we offer to those who will benefit the most.
Truly strategic partnerships	Cadent partner with over 80 strategic delivery partners, including some of the UK's largest charities, working with them to define, prioritise, plan and deliver our customer vulnerability programme, along with increase the reach and impact of project delivery.
Additional financial investment	Cadent is the only GDN to have been awarded additional regulatory funding in RIIO-2 ([cost-sensitive data]) to provide its customers with additional welfare during a temporary gas supply outage ² . In addition, the Cadent Foundation is unrivalled in terms of its value (c.[cost-sensitive data] during RIIO-2) and focus on vulnerability by any UK utility business ³ .
In house expertise	We have built an in-house team with over 200 years of collective experience in supporting customers in vulnerable situations.

Table 1: Strategic levers to spot signs of vulnerability

This allows us to reach more of our customers, be more tailored in the support offered, and ultimately have a far greater impact.

² Cadent were the only GDN to receive a Business Plan Incentive (BPI) reward through the RIIO-2 business planning process as part of its Customer Value Proposition (CVP). The reward recognised the additional customer value that Cadent's plan would deliver for customers living in vulnerable situations, noting that there is a high degree of transient vulnerability relating to customers whose gas supply is temporarily interrupted. The additional funding has allowed around 165,000 homes to be provided with a range of tailored and personalised welfare products and services to be provided to ensure that they remain safe, warm and independent in their homes during an outage (during the period).

³ See the Cadent Foundation Impact Report at [Cadent Foundation - Cadent Gas Ltd](#)

1. Expanding on our strategic levers

Our unique approach enables us to maximise the positive impact that we have on those who need it the most.



Figure 1: Reach, impact and outcome

1.1. Enhanced Data

The more we know about a customer’s circumstance or the needs of local communities, the better we can target the support that we provide. To achieve this, we have invested in technology and data that helps Cadent, and its delivery partners to form a comprehensive understanding of the needs of customers across the UK. We have combined layers of data to develop a ‘needs analysis mapping tool’, that operates on a unique platform to visualise where needs exist⁴.

By visualising vulnerability across our network, we develop and adjust the services that we offer and the partnerships we enter into. Our Carbon Monoxide Awareness programme is now planned using a highly data-driven approach, prioritising schools in areas most likely to have low awareness and higher risk of carbon monoxide poisoning. Likewise, we have used this data to identify areas most likely to benefit from our network of Centres for Warmth and position our Mobile Advice Centres to facilitate engagement with those most likely to benefit from the services they offer.

1.2. Strategic Delivery Partners

We have forged strong working relationships with a range of leading national charities, local, smaller specialist local organisations and analogous delivery partners to allow us best to understand and meet the challenges faced by customers according to their need and locations. This presents us with three major benefits:

1. They inform our decision-making process and help co-create the initiative that we prioritise to deliver the greatest possible customer outcomes, with their in-depth understanding and ‘on-the-ground’ experience of what works and what else is needed
2. We leverage their networks and local delivery expertise to maximise the reach of our projects, ensuring that we’re targeting those most in need

⁴ This tool relies on publicly available data, purchased data, our own data and the including Priority Services Register (PSR) to visually map concentrations of people affected by situations of vulnerability. This data set allows us to understand everything from Energy Performance Certificate rating of a home all the way through to employment status or age.

3. We hold regular best practice sharing sessions, not only benefiting Cadent's customers, but also others supported by our delivery partners. For example, we have shared areas of best practice we have learned from our Services Beyond the Meter programme with all other GDNs as they begin to embed them into their operations.

In Addition to Citizens Advice (National and many local branches) and NEA, we partner with Age UK, Alzheimer's Society, NSPCC, YMCA, Homestart, St Johns Ambulance, NHS Trust Charity Birmingham all 24 regional Fire and Rescue Services and several NHS Trusts, to list just some of the partners we have. With the funding opportunity Cadent has, and the expertise within our own team, the importance of these partnerships is reciprocal, which was a hugely important outcome to achieve.

1.3. Additional Regulated and Private Funding

Unlike other GDNs, Cadent have access to a further [cost-sensitive data] to provide 'personalised welfare' to vulnerable customers in the event of a temporary gas supply outage and around [cost-sensitive data] to support customers in fuel poverty through the Cadent Foundation.

Personalised Welfare

The personalised welfare fund allows Cadent to support customers temporarily off gas with a wide range of support measures (e.g. food vouchers, temporary heating / water solutions, blankets, food hampers and temporary accommodation).

During RIIO-2, through applying an agile delivery and learning approach, we will outperform our target to support 165,000 customers in this way, with more than 200,000 receiving welfare support packages that are personally tailored to their specific needs. Through the regulatory reporting process during RIIO-2 we have demonstrated the positive impact that the initiative has had, especially during more complex gas supply interruptions, with Ofgem supporting our proposal for this to be rolled out across all GDNs in RIIO-3.

The Cadent Foundation

The Cadent Foundation is 100% funded through Cadent's profits, a decision that our investors have made to enhance our social impact. In terms of value, it is unrivalled across the sector, and it places more focus on vulnerability than any other private funding model applied by a UK utility.

Each year the Cadent Foundation invests around [cost-sensitive data] with all funding targeted towards in home energy efficiency interventions (which regulatory Vulnerability and Carbon Monoxide Allowance (VCMA) funding is prohibited from being used for). This allows Cadent to a truly end-to-end support programme to customers living in fuel poverty, utilising regulatory funding to provide education and income and energy advice and the Foundation funding to provide direct in-home improvements, such as insulation or more efficient energy appliances.

We also use the Cadent Foundation as a project 'incubator', trialling new approaches to supporting customer in vulnerable situations in a flexible and agile manner, not always supported by the regulatory framework. During the latter stages of RIIO-1, we created a referral programme for our engineers to link customers to a follow-on service to provide fully funded appliance repairs or replacements, where they were unable to fund this themselves. The learning from this ultimately led to Cadent's, now well established, 'Services Beyond the Meter' programme, which we are currently supporting other GDNs to roll out across their networks.

More information on the Cadent Foundation can be accessed on our website⁵.

1.4. In House Delivery

It is easy to simply allocate funding to third parties to deliver target outputs with. However, in order to maximise the benefits (customer and community outcomes) from initiatives, we have developed a highly skilled in-house customer vulnerability delivery team. Our team of over 20 individuals have over 200 years of combined experience in this area (gained both in Cadent and externally), projects can be scoped, prioritised, planned and delivered using a well-established and highly successful project management methodology to ensure that every

⁵ [Cadent Foundation - Cadent Gas Ltd](#)

pound spent delivers outstanding customer value⁶. The team ensure a seamless link between projects delivered through the VCMA and activities completed as part of business as usual (e.g. PSR conversations held by all front-line operatives during emergency visits).

Many of the most impactful initiatives that we have delivered over the period have been designed in house, directly responding to challenges that we have seen or informed of by our partners. Our Centres for Warmth Programme was designed to create a connection between those most at need and services that we and others provide. It recognises that, often people in need (especially in fuel poverty) are very difficult to reach, being disconnected and lacking trust in Governments or businesses. Our Centres are all located in existing community centres, with excellent access to local residents, where trust is high, and therefore helping to overcome the barriers that otherwise are likely to exist.

Our in-house capability allows us to be innovative and design creative solutions to problems that exist. The figure below highlights this approach to innovation and thought leadership, which is once again unique to Cadent amongst peers and spans the last decade, demonstrating a truly embedded culture of thought leadership and continual improvement.

A track record for turning innovation and leadership into action

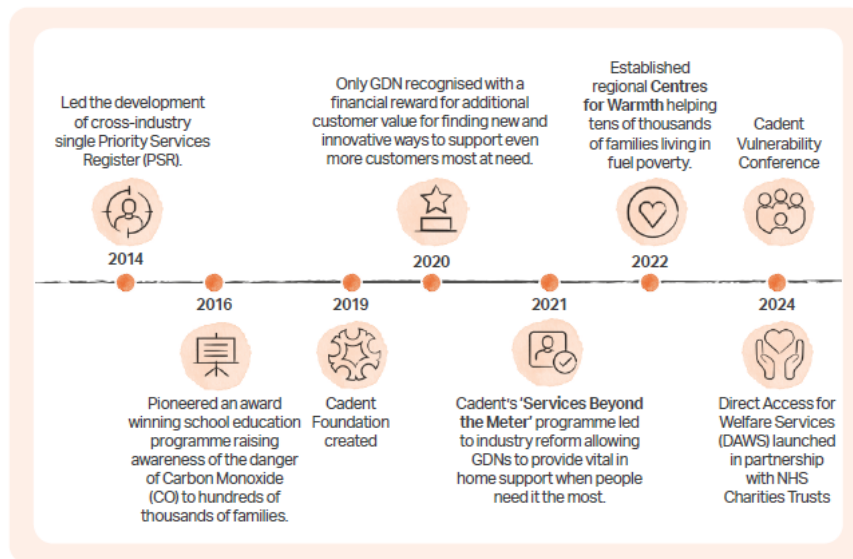


Figure 2: Approach to innovation and thought leadership

Training and investing in our colleagues

We believe that no two situations are the same – vulnerability affects people in different ways. To allow us to respond to individual circumstances in a respectful and relevant way, we need to ensure that our customer facing colleagues (including both our call centre staff and our front-line engineers) are supported and equipped with:

- an understanding of what vulnerability means, including the temporary and dynamic nature of vulnerability.
- a set of skills that allows them to spot signs of vulnerability and confidently handle the situation appropriately.
- an understanding of the type of help they can offer when faced with a customer affected by a situation of vulnerability; including those delivered through another party.
- awareness that vulnerability can impact our colleagues both through what they see at work and in their home life most importantly.

An extensive toolkit of safeguarding communication channels, knowledge articles, training films and best practice examples has been developed to aid a consistent level of understanding of which tools and techniques are available for colleagues to use at the point of customer interaction. Over 4,000 of our front-line colleagues

⁶ All projects are captured on our website - [VCMA - Cadent Gas Ltd.](#), detailing the scope, approach applied, partnership model and customer value generated

regularly engage with these tools and provide tips and feedback to others through the two-way feedback facility included.

We've played a leading role in the establishment of a single PSR across the sector

The PSR is a critical tool that helps Cadent to tailor and prioritise the support that we provide to customers living in vulnerable situations. We are very proud of the role we have played, first establishing and secondly chairing the Safeguarding Customers Working Group (SCWG) that has overseen the shaping and development into the PSR that is used today; a cross industry data source, with consistent customer needs codes and a well-defined and governed process for keeping it updated and shared across multiple sources.

We estimate that 3.85 million households (c.77% of all eligible households) within Cadent's networks are registered on the PSR, which has increased considerably since the introduction of the VCMA and the huge collaborative approach across GDNs, Distribution Network Operators and energy suppliers to raise awareness, support with registrations and reduce the negative stigma often associated with the term 'vulnerability' and the PSR itself⁷.

Whilst it is a very important tool and one that has improved over time, for gas utilities such as Cadent, it has to be supplemented by other means of identifying households / individuals in vulnerable situations. For example, in the case of any isolation of gas supply, every single house or business temporarily off gas has to be visited by a trained gas engineer who will have received annual training on identifying the signs of vulnerability. She / he will use the PSR flag as a starter for ten but use their own experience of engaging with individuals to identify additional vulnerabilities / risks and use this information to prioritise restoration of supply along.

We have embedded the PSR across our customer vulnerability strategy, linking it into our array of enhanced data management tools, our operational data and fully integrating it into our unique Personalised Welfare Decision Tool, which uses the needs code data, along with combination of other data to support front line engineers' decision making process when considering which additional welfare items / services to offer, tailoring our support in the most value adding manner. We also set PSR related targets (awareness and registration) into all of our VCMA partner contracts, which we measure as part of our ongoing project evaluation assessments.

1.5. The foundations our RIIO-3 customer vulnerability plan is built on

RIIO-2 delivery achievements

The figure below summarises the positive impact that Cadent will have on customers living in vulnerable situations over the course of RIIO-2, across a range of metrics that we report on each year. We have used the publicly reported figures of other GDNs to show a comparison for benchmarking purposes and also included the targets that we set at the beginning of the period. In all cases, not only will Cadent materially outperform all of the targets that were set (yellow lines), but we will significantly outperform against the other GDNs. As we state above, the application of our four unique strategic levers has enabled this.

⁷ In 2020, prior to the VCMA funding being made available, there were 2.34 million households registered, a 64% increase in the period. Whilst it is impossible to measure the exact impact on PSR numbers that the VCMA has helped facilitate, it is certain that it has had a material effect.



Figure 3: Impact on customers in vulnerable situations throughout RIIO-2

2. Our ambitious and impactful plan for RIIO-3

Our plan for 2026-2031 focusses on the same four core areas that we have focussed on during the current regulatory period, helping all of our customers to have access to safe, reliable and affordable heat.

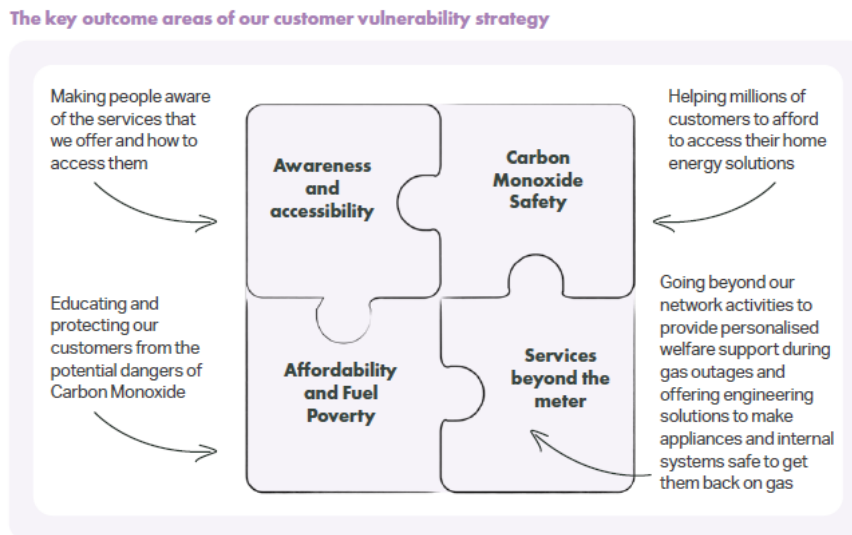


Figure 4: Core areas to ensure access to safe, reliable and affordable heat

2.1. Awareness and accessibility

We aim to ensure that the needs of all our customers are understood and acted upon in a respectful and relevant way. It is essential that we find effective ways to identify our customers’ needs. During the RIIO-2 period we (Cadent’s direct employees and strategic delivery partners) will have more than 4,000,000 direct conversations with customers to raise awareness of the Priority Services Register, with around 10% of these conversations leading to registrations. We also expect these contributions to influence registrations through other routes.

We focus on direct (face-to-face) conversations as a way to help our customers to understand the PSR, what it is used for and remove the ‘stigma’ attached to the term ‘vulnerability’. Through extensive engagement with our customers and expert stakeholders, who understand the purpose of the PSR and the needs of different groups of customers, we will continue to focus on raising awareness of the PSR through this route to maximise the impact we can have.

During RIIO-2, we have continued to work to understand the many and varied situations that can lead to vulnerability across the communities we serve. We have trained and equipped all of our frontline staff with the knowledge and skills to support customers in vulnerable situations and maintained the BS ISO 22458 (the international standard that aims to increase positive outcomes for vulnerable consumers when dealing with service providers and reduce the risk that they will experience harm).

We will continue to ensure that our projects have strong coverage across all 37-customer priority needs codes that are captured within the PSR, working with a wide variety of experts and charities to deliver focused projects each year that target a range of specific customer needs.

Delivery highlights and future commitments	2021-2026 (RIIO-2)	2026-2031 (RIIO-3)
PSR Conversation	4,000,000	5,000,000
PSR Registrations	400,000	500,000
PSR Customer Satisfaction	9.5 / 10	9.65 / 10
BSI Standard	Gain accreditation	Maintain accreditation
Projects Delivered	32	50
SROI (per £1 invested) ⁸	£24.15	>£25
Regulatory Investment	c.[cost data] VCMA [cost data] BAU Total [cost data]	[cost data] VCMA [cost data] BAU Total [cost data]

Table 2: PSR delivery highlights and future commitments

2.2. Carbon monoxide awareness

If appliances are installed incorrectly, poorly maintained or become faulty, they can emit carbon monoxide (CO) (spill), which can be harmful or in extreme circumstances fatal. With households experiencing higher energy costs and an increased cost-of-living, our customer insights suggest that customers are taking less proactive precautions to limit the risk of CO poisoning, including around 25% of customers no longer paying for regular servicing⁹.

We will continue to take a leadership role across the industry in raising the awareness of the potential harms of CO. Working with a wide range of experts and utilising enhanced data services we have developed in RIIO-2, we can now accurately identify households and communities that are most at risk¹⁰ allowing us to target our awareness campaigns and communication channels to ensure they reach our diverse customer base in those areas.

During RIIO-3 we will continue to run annual CO awareness campaigns, and grow our school and university education programmes, maximising our award-winning Safety Seymour, CO Crew, and other education initiatives. In the period we will reach over 500,000 school children, and a further 200,000 university students, who in turn typically raise awareness with 2.4 additional family members and friends. In total, we target to reach over 5 million customers through our CO awareness campaigns and projects.

Delivery highlights and future commitments	2021-2026 (RIIO-2)	2026-2031 (RIIO-3)
CO Alarms Issued (Free)	500,000	500,000
Children (KS1 and 2) educated	300,000	500,000
Students (university) educated	100,000	200,000
Total customer reach through initiatives	3-million	5-million
Projects Delivered	17	20
SROI (per £1 invested)	[cost data]	>£10
Regulatory Investment	c.[cost data] VCMA	[cost data] VCMA [cost data] BAU Total [cost data]

Table 3: CO delivery highlights and future commitments

⁸ We will continue to measure the Social Return on Investment (SROI) for all of our projects, publishing the detailed calculations on our website. However, we have deliberately included a range of additional, more tangible measures that more directly reflect the positive impact of our projects. SROI is an excellent measure and helps us to benchmark initiatives across networks, but places considerable bias on the more general interventions (e.g. mass CO safety awareness campaigns) rather than highly specialist interventions supporting specific needs. Our multi-measure approach ensures that we operate a holistic prioritisation process when determining which projects to fund

⁹ Based on our Energy Diaries customer research project, involving a survey of over 5,000 Cadent customers in 2023.

¹⁰ We have worked on a common definition of 'most at risk' with the other GDNs and have included this within [Appendix 5: GDN Joint Vulnerability Strategy](#)

2.3. Tackling Fuel Poverty

Whilst macro-economic trends, such as inflation falling to ‘normal’ levels would suggest that the cost-of-living crisis is reducing, we know through our extensive engagement with our partners and the feedback we receive from our 300+ Centres for Warmth that this is simply not the case.

Following the war in Ukraine and the economic impacts felt as a result of the interventions taken during the COVID pandemic, we saw the number of households living in or close to fuel poverty roughly double during this price control period. We responded to this by engaging with Ofgem to consider how alternative funding mechanisms could be redeployed to enable GDNs to do more to support this rising challenge. Ofgem responded by repurposing a proportion of the Fuel Poor Network Extension Scheme (FPNES) funding into the VCMA. Cadent are using around [cost-sensitive data] of this additional funding to support customer who are financially vulnerable (often leading to a wide range of other health and wellbeing vulnerabilities).

During RIIO-2, we’ll deliver over 50 separate projects to reach more customers than ever before with practical advice on how they can reduce their energy costs and access much needed support.

We know that energy efficiency is a key driver of fuel poverty, and therefore we’ve focussed 100% of the Cadent Foundation’s resources on initiatives that directly improve the energy efficiency of our customers’ homes – the only UK GDN to offer such a service. In total more than 30,000 households have benefited from initiatives fully funded by the Cadent Foundation.

Our plan for RIIO-3 will build from the foundations we have established over the past 5-years. We recognise that there are degrees of financial vulnerability, and the cost-of-living crisis exacerbated this. Those previously “just about managing” faced hardship for the first time, whilst households previously struggling experienced increased financial pressures when attempting to heat their home or feed their family. Our approach spans a full hierarchy of customer need level:

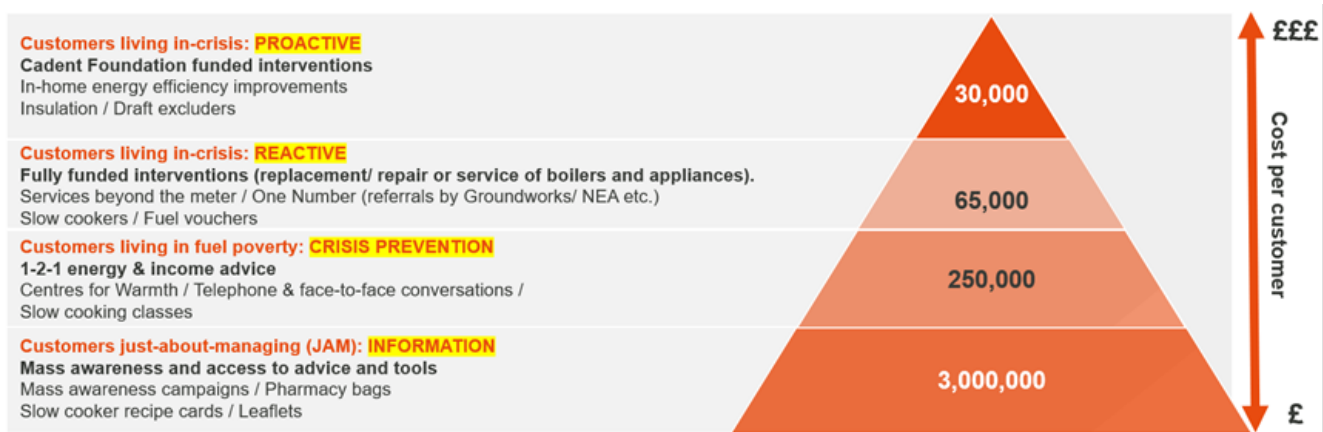


Figure 5: Hierarchy of customer need level

Our strategy is designed to assist all three groups of customers through a range of solutions, including mass awareness for those able to self-help, and tailored, in-depth support for households in crisis. We have learned that the key role we play is one of creating a connection. There are many funding and support avenues available to customers, but often they are not well understood and/or customers do not have the capability to complete the necessary applications. Many of our initiatives in this area create the link between the people who need additional support and that additional support, operating in trusted, familiar surroundings, with dedicated and professional personnel.

There is a huge overlap between financial well-being and health-related matters; a topic that we have explored in great depth over the past 18 months. Not only do damp, cold homes increase the risk of health issues (physical and mental), but we also know that customers living in fuel poverty are far more likely to live isolated and secluded lives.

Case Study - The inherent link between fuel poverty and health issues

Fuel Poverty affects one in five homes across Birmingham and the West Midlands. In 2024 we worked alongside NHS Charities Trust in Birmingham to establish a brand-new team, the Direct Access to Wellbeing Services (DAWS) team to work with patients within the healthcare system to return to their homes (if medically fit) and stay in their homes (if their health is suffering as a result of the poor conditions of their home).



In both cases, a combination of regulatory (VCMA) and Cadent Foundation funding ([cost-sensitive data] in total) will fund the [CNI-sensitive data]-person team for a period of 24 months providing energy efficiency education, income maximisation advice, and direct in-home improvements to over 100k homes across Birmingham.

With the infrastructure now in place through investment during this period, we will be able to significantly increase the range and depth of services offered to even greater numbers of households living in fuel poverty without increasing the costs to achieve.

Delivery highlights and future commitments	2021-2026 (RIIO-2)	2026-2031 (RIIO-3)
Provide advice and tools to reduce energy consumption and maximise income	3 million	5 million
Provide free one-to-one energy and income consultations	250,000	500,000
Fully funded interventions	65,000	100,000
Number of Centres for Warmth	325	350
Financial savings for customers	>£300m	>£500m
Projects Delivered	50	50
SROI (per £1 invested)	£39.39	>£45
Regulatory Investment	c.[cost data] VCMA	[cost data] VCMA [cost data] BAU Total [cost data]

Table 4: Fuel poor delivery highlights and future commitments

Case Study - Centres for Warmth

Centres for Warmth is an award-winning programme¹¹ working with community associations and centres to help confront cost-of-living challenges. During RIIO-2 more 300,000 households will have received energy and income management assistance, cooking lessons, safeguarding products, and free warm meals. Of these over 200,000 will have received comprehensive and personally tailored financial support, saving the average household more than £2,000 per year – that’s more than £400,000,000 saved for some of most in-need households in the UK through this one initiative alone.



Located in areas of high deprivation, fuel poverty, and increased risk of carbon monoxide poisoning, our charity partners operate in community centres in the heart of their community, promoting togetherness and social interaction. The Centres provide a trusted and effective form of ‘connection’ between customers most requiring help (and often not knowing how to access it) and the help that we can provide. Our partnership provides funding, resources, and training, enabling charities to expand the services they offer to vulnerable households, leveraging the inherent trust of the pre-existing sites to offer advice and a lifeline for many.

By the end of RIIO-3 we will be operating around 400 Centres (350 at the end of RIIO-2), and engaging with roughly 50,000 individuals each week (roughly 40,000 in RIIO-2).

¹¹ Including the 2023 Utilities Award and 2024 Charity Sector Awards

2.4. Going beyond to never leave a customer vulnerable without gas

Anyone can become vulnerable if their gas supply is temporarily isolated. Usually, gas supply interruptions are very short, but occasionally they can take longer, especially when we identify an issue with a customer’s internal gas pipework or one or more of their appliances.

Customers in vulnerable situations have historically faced three options when their gas appliance is isolated and condemned by a GDN. Due to financial hardship, customers can either remain off gas, risk self-reconnection or take out credit to afford the cost of repairs/replacements.

Services Beyond the Meter (SBtM) offers these customers a fourth option which we have designed, built, and embedded during RIIO-2. With the platform in place (e.g. our dedicated training centre in Hitchin, c.100 trained engineers, a revised safety case, processes and procedures and a dedicated audit and assurance programme) we will see a rapid and extensive expansion of this programme of work in RIIO-3. We will continue to deliver the core services that we have created in RIIO-2 but will work with the Cadent Foundation to expand our services into completing Energy Efficiency assessments and funding targeted in-home efficiency improvements. Many of the expert stakeholders we work with see energy efficiency improvements as a core offering that Cadent should be providing, simultaneously reducing fuel bills and reducing carbon emissions.

The process works as follows:

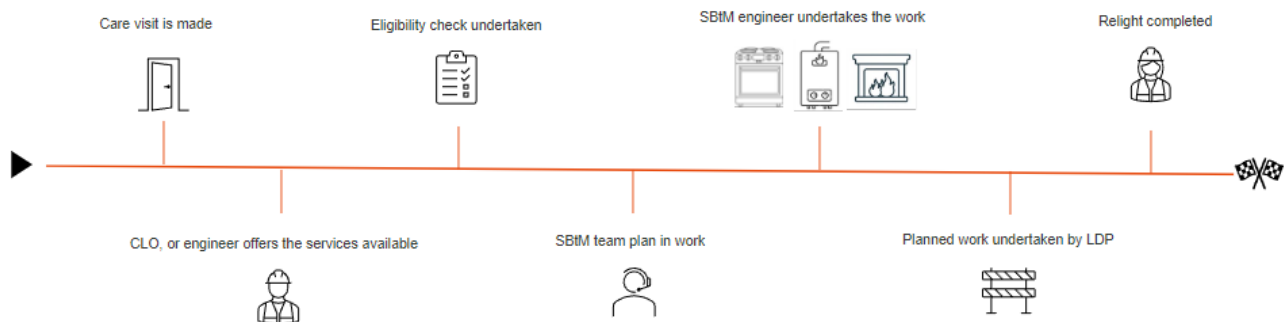


Figure 6: Services beyond the meter process

The services that we will offer through our extended number of fully trained engineers will include, appliance repairs and replacements, Carbon Monoxide investigations (CMDDA1), gas appliance safety checks and services, in-home products and welfare packages for gas outages and free energy and carbon monoxide advice.

Delivery highlights and future commitments	2021-2026 (RIIO-2)	2026-2031 (RIIO-3)
Fully funded interventions (e.g. appliance replacements)	65,000	100,000
Customers supported through personalised welfare	400,000	500,000
Free Energy Efficiency Interventions	N/A	200,000
Projects Delivered	12	18
SROI (per £1 invested)	£24.15	>£25
Regulatory Investment	c.[cost data] VCMA c.[cost data] personalised welfare PCD [cost data] BAU Total [cost data]	[cost data] VCMA [cost data] BAU Total [cost data]

Table 5: Services beyond the meter delivery highlights and future commitments

Case Study - Services Beyond the Meter

The concept of our SBtM programme was identified by a number of our front-line engineers, who wanted to find a way to provide additional help to customers that were being left potentially vulnerable without gas as a result of making them safe after an emergency call to Cadent’s National Gas Emergency Line. Even though our engineers would always explain to customers how they should request a Gas Safe registered engineer to come to their homes following the isolation of their gas supply for safety reason, they knew that for many, this additional work could be very expensive meaning that, for some, they couldn’t afford it and therefore would be faced with two options – stay cold or try and fix their faulty appliance or gas supply themselves (e.g. self-reconnect).



We now have a way to provide these follow-on services ourselves and keep them safe and comfortable following disconnection. We trialled a number of these services towards the end of RIIO-1, funding additional in-home engineering work via the Cadent Foundation and were able to demonstrate how this could be applied using regulated funding in RIIO-2 at an even larger scale. We’ve since developed procedures, amended the safety case, our licence conditions, and created our own training centre, and will help more than 10,000 households during the current regulatory period.

3. Ensuring the right funding model for RIIO-3

At the start of RIIO-2, in addition to the VCMA, GDNs were funded to provide free connections to the gas network through the FPNES and Cadent received additional funding for a bespoke output called Personalised Welfare. This output recognised the transient nature of vulnerability during a gas outage, allowing Cadent to provide a range of additional products and services to customers experiencing an outage to keep them safe, well and independent in their homes.

We support the proposals made by Ofgem to remove the FPNES and to allow companies to deliver 'personalised welfare' through the VCMA funding or base cost allowances. However, it is essential that the total value of the VCMA allocation plus the value aligned to the base allowance be equivalent to the total funding provided in RIIO-2 (i.e. VCMA, plus repurposed FPNES, plus additional funding for personalised welfare). Any reduction in funding could result in a reduction in the level of support for customers in vulnerable situations, closing down newly formed services (e.g. Centres for Warmth) and redundancies across the charity sector, especially at a time when there are no signs that needs will reduce or that alternative support will be made available.

We have worked collaboratively with other GDNs to agree where initiatives delivered under the RIIO-2 VCMA programme are now so embedded into Business as Usual (BAU) that they should be funded through base allowances. This includes much of the work that we do to educate customers on the risks of carbon monoxide risks and the provision of personalised welfare during gas outages. The table below summarises the funding requirements to deliver our RIIO-3 customer vulnerability programme and compares this to RIIO-2 funding levels.

Funding ¹²	RIIO-2 (£)	RIIO-3 (£)	Notes
VCMA initial allowance	[cost data] [cost data]	[cost data] [cost data]	The breakdown of proposed spend is shown in our Customer Vulnerability Strategy
Repurposed FPNES	[cost data] [cost data]	[cost data] [cost data]	
Personalised Welfare	[cost data] [cost data]	[cost data] [cost data]	We delivered more social value than our PCD target at a significantly lower cost. These costs will be transferred to BAU in RIIO-3
BAU base allowance	[cost data] [cost data]	[cost data] [cost data]	A full breakdown is included in table 8.24
Total	[cost data] [cost data]	[cost data] [cost data]	

Table 6: Funding requirements to deliver our RIIO-3 customer vulnerability programme in 18/19 (grey) and 23/24 (red) prices

Our RIIO-3 plan will deliver greater customer impact (additional reach, breadth and direct support) with less financial investment. This is enabled by:

- Initial investment costs to establish core initiatives such as services beyond the meter effectively sunk in RIIO-2
- Application of lessons learned following each project delivered in the previous period
- No need to steadily ramp up projects over the period – maximum outputs each year in RIIO-3

3.1. The importance of maintaining the VCMA

The VCMA has proven to be a very successful mechanism with all companies detailing huge levels of customer value through the period in their Annual VCMA reports and through the annual showcase events. It is therefore imperative that similar levels of funding are made available during RIIO-3, enabling Cadent, and others to deliver life-changing (and at times, lifesaving) initiatives that are vital to gas customers, the communities we serve and so many operating across the third sector.

The VCMA is unique; such levels of funding do not exist in other regulated industries and through the annual showcase events, it is clear that companies are using the funds to make genuine positive differences to

¹² NHS Charities Trust have explained that there is a growing challenge to the NHS with patients medically ready to leave hospital but not being able to do so as their home is of such poor quality – mainly due to energy efficiency and the ability to heat the home. This has led to the DAWS project – NHS are keen to expand this critical service nationally (NB Press release and videos evidencing this)

customers living in vulnerable situations and without a “postcode lottery”. The unique nature of the fund makes it so critically important:

- Long term – unlike almost all other forms of funding that charities and support organisations rely on (to support customers in vulnerable situations), the VCMA allows long-term and strategic planning. Over 90% of all funding avenues operate on an annual basis, with many charities having to take calculated cash-flow risks throughout the year to maintain consistent support and spend time on funding applications that could be used on delivery. The VCMA removes this risk and, in doing so, creates the structure necessary for longer-term and more valuable investments.
- Legacy – Cadent’s initiatives delivered through the allowance have created a huge, lasting legacy in the communities in which we operate. For example, our Centres for Warmth have created employment opportunities for over 250 individuals and offer tailored support to the tens of thousands of households that enter the Centres every single week. They are a place, not just for Cadent to support customers, but also to bring together communities and other organisations, especially those providing healthcare services. For many communities, they have become an essential part of their lives. With so many projects such as Centres for Warmth, it is essential that the legacy created is maintained; without them, more customers will find themselves in vulnerable situations and suffer the (often terrible) circumstances that leads to.
- Flexibility – Unlike some alternative funding avenues (e.g. those provided by local councils), the VCMA is operated against a relatively flexible set of criteria, which means it can be applied efficiently and effectively, without complicated bureaucracy and reporting requirements that add little or no value. Customer needs change frequently (e.g. who could have foreseen the impact on the cost of living from the war in Ukraine) and the flexibility of the funding means that Cadent and others can react quickly to these changing needs.
- Corporate focussed – in engaging with leading charities across the UK, it is clear that corporate funding such as that provided through the VCMA is incredibly rare, with most charities relying on state funding to operate.
- Scale – The scale of the VCMA allows for a real difference to be made. Millions of Cadent’s customers are living in vulnerable situations, with around 2.5 million in fuel poverty. To make the necessary level of difference through projects, high levels of funding are required, which the VCMA currently provides. If the level of funding is reduced, then this will mean that fewer customers are supported and, in certain cases, support services that exist today are withdrawn.

Whilst Ofgem have proposed a reduction in the VCMA allowance and the option to move certain, now more established, initiatives into base allowances, we, along with our strategic partners believe that it is in customers’ interest to maintain the VCMA as is, ensuring that service levels do not go backward, mitigating any risks of stranded services, and ensuring that the legacy of the VCMA’s success in RIIO-2 is not damaged. Should we need to, there are initiatives that we could move into the base allowances, such as CO education and alarm distribution, plus our annual PSR, gas safety, and fuel poverty awareness campaigns, but with such strong calls for transparency of how funding is utilised (and linking this to benefits) we feel that this would be a materially backward step.

3.2. A strategy that is flexible, enabling us to respond swiftly to external factors

As we approach the next regulatory period, there are a number of unanswered questions that could have a material impact on Cadent’s customer vulnerability strategy and how we prioritise our plan.

Our strategic approach of utilising high-quality data and input from our expert partners enables us to undertake high quality horizon scanning, helping us to react to external challenges / changes in an agile manner as they arise. We demonstrated this when energy prices tripled almost overnight following Russia’s invasion of Ukraine. In this case, we engaged with Ofgem to define how the FPNES could be repurposed into the VCMA to allow a more flexible and direct suite of initiatives to support the growing number of customers in fuel poverty. We also diverted planned funds from alternative projects into the growing need in relation to financial vulnerability and repurposed 100% of the Cadent Foundation investment into this area.

Several potential material external factors could require us to adapt quickly once again. The below table summarises these in terms of risk and mitigations, which includes the extensive and ongoing research, engagement and thought leadership programme that we operate to ensure that we and others are building a

comprehensive understanding of the role energy consumers in relation to the ultimate energy transition to cleaner sources of heat¹³.

Risk	Potential Impact	Mitigation
The UK Government makes policy decisions that transfers electricity bill costs onto gas bills, potentially pushing a number of additional customers into fuel poverty.	Increase in gas bills plunging greater numbers of customers, especially those already unable to afford low carbon alternatives to gas boilers (for heat) into fuel poverty	We will continue to engage directly with Government, Ofgem and DESNZ to understand how changes may impact customer bills, purposing the VCMA and Cadent Foundation funding to support customers entering fuel poverty as a result of policy / regulatory decision making that results in higher gas prices
Likewise, any decision to accelerate gas asset depreciation will increase customers' bills, placing more customers into fuel poverty		
The evolving nature of vulnerability as the UK begins to transition to low carbon forms of energy	The nature of those who find themselves vulnerable may change. In particular, our ongoing research and thought leadership is pointing towards a far greater proportion of younger people living in vulnerable situations, especially facing financial related challenges	We will continue to undertake our extensive research programme to understand the impact on consumers from any eventual energy transition process, ensuring that transition plans are developed from the perspective of energy customers, especially safeguarding those living in vulnerable situations

Table 7: External factor risks and mitigations

Our customer vulnerability strategy supports customers' needs today and will respond to the evolving requirements as the UK transitions to lower carbon forms of heat

Our RIIO-3 customer vulnerability strategy is very much focused on how we support customers in vulnerable situations from 2026 to 2031. Whilst it is very difficult to predict with certainty how needs will change over this period of time (e.g. no one would have predicted the economic impacts resulting from responses to the COVID pandemic or the war in Ukraine), we anticipate that the needs of our customers will not materially shift during this period.

Ultimately, we expect to be transporting gas to a similar number of homes and businesses, with the primary role of gas continuing to be to heat homes and power industry. We do not foresee any significant domestic energy transition away from gas during this period. However, we will continue to deliver our award-winning Energy Diaries thought leadership programme along with other research and engagement initiatives to build an ever more complete understanding of how the energy transition will impact customers.

Our focus has been on understanding this for all customers, but especially those living in vulnerable situations; those who for several reasons are less likely to be able to make informed decisions based on their personal preference and circumstances. Through this programme of work, we are seeing data that suggests a shift in the make-up of vulnerable customers, with far more younger people – those least engaged in energy matters typically – becoming financially vulnerable.

In RIIO-2 we have expanded our strategic partnerships to include charities such as YMCA who are experts in supporting younger, vulnerable individuals and we have embarked on several projects to support this emerging group of customers requiring additional, often financial, support.

We will continue to share our findings from our research and engagement programmes on a national stage, supporting other organisations in their pursuit to help those most in need, but also local and national Government and the Department of Energy Security and Net Zero (DESNZ), to inform their plans and proposals for the UK's energy transition programme.

¹³ We have worked with the other GDNs to develop a joint definition of 'fair transition to Net Zero' and have included this within [Appendix 5: GDN Joint Vulnerability Strategy](#)

4. Exert of the Stakeholder Decision Log

This section details how we have used insights from our customer and stakeholder engagement programme to inform and test our Customer Vulnerability Strategy

4.1. Type of engagement undertaken

- Strategic Deliver Partners - Informing our strategy and plan has been largely stakeholder led as we continue to work with our 80 strategic delivery partners to understand the challenges our customers face, define the scope of support Cadent can offer, design, test, implement and ultimately deliver initiatives to support customers in vulnerable situations. This is an ongoing and iterative process that has been in place for c.5 years
- Operational Partners - We meet at least monthly with our strategic delivery partners, reviewing existing initiatives (best practice to share and areas for improvements) and assessing future needs / opportunities
- Our 350 Centres for Warmth leads meet on a 6-monthly basis for best practice sharing sessions – these generate a range of insights that enable continual improvement, but also highlight potential gaps not filled by the Centres (or other routes) to feed future planning considerations
- The Annual VCMA Showcase Event is attended by up to 300 stakeholders (mostly experts working to support specific vulnerability needs) – this allows us to share good practice and challenges across all GDNs
- Targeted Round Tables - We have held a number of focussed round-table discussions with stakeholders with, for example to co-create the evolution of our Services Beyond the Meter programme, following our Energy Diaries customer research project
- Vulnerability Conference - In October 2024 we held our National Vulnerability Conference, attended by 170 delegates across the private, public and charity sector, along with a political and regulatory lens. This focussed on understanding the true depth of the cost-of-living crisis, hear of success stories to learn from and consider vulnerability challenges in the future
- Cross Industry events and round tables – such as the OFWAT / OFGEM vulnerability summit to align programmes with regulatory priorities
- GDN Working Group – to share good practice and create a joint vulnerability strategy focussing on where collaborative projects add greatest overall value
- Political Engagement – We have hosted c.20 MP / Regional Mayor visits across our vulnerability initiatives, engaging to understand local issues that we can support with
- Colleague Engagement – We encourage front line colleagues to feed ideas and suggestions into our Customer Vulnerability team. Their day-to-day experience of engaging with customers is invaluable and has contributed to the design of our Services Beyond the Meter programme and DAWS project
- Customer Engagement – For our RIIO-2 Plan we engaged extensively to test customer priorities over a range of initiatives. Whilst useful, it was also limited, as few understand the complex nature of customer vulnerability (hence the focus on stakeholder engagement this time around). However, for our RIIO-3 plan we have used a range of customer research techniques (including Willingness to Pay (WTP) analysis and deliberative workshops) to test the proposals we have developed with stakeholders

4.2. Stakeholder groups

- Over 80 Strategic Delivery Partners, including AgeUK, Citizens Advice (national and local), National Energy Action, Groundworks UK, RNIB, RAD, Scope, Alzheimer's Society and YMCA
- Over 20 partnering organisations, including NHS Trusts, Fire and Rescue Services and Yes Energy
- Carbon Monoxide Partnership Ecosystem – which we established in 2023 to enable a UK-wide coordinated approach to mitigating the risks of CO poisoning, sharing data, best practice and resources (over 100 separate organisations operating in this space)
- Research / PR and marketing organisations to inform how we engage with awareness campaigns to have the greatest impact
- Business Leaders – Usually customer vulnerability leads working in different sectors, including banking, water, construction, retail and technology

- Industry working groups - e.g. the SCWG chaired by Cadent
- Political stakeholders - from all main parties and increasingly with Government ministers and local Mayors to both inform our strategies and their policy decisions
- Other utilities - both to inform plans, but also to coordinate how we operate to improve experiences for customers in vulnerable situations
- British Standards Institution - auditing our approach to accessibility and supporting customers in vulnerable situations to achieve the industry standard
- Cadent's Independent Stakeholder Group and Sustainability Challenge Group
- Colleagues – those engaging with customers in the front line

4.3. Summary feedback

Understanding Needs – now and future

- The cost-of-living crisis is very much still amongst us and likely to deepen (e.g. Winter Fuel Allowance removal) in foreseeable future
- Over 30% of homes in the UK still do not have a working CO alarm
- c.20% of those eligible for the PSR are not registered, due to a lack of awareness along with customers not self-identifying as vulnerable
- Emerging is the need to see companies replace appliances not just provide advice (X% support this)
- There is a growing proportion of younger people in finding themselves in vulnerable situations, especially in relation to financial vulnerability

Informing the Priorities in our Vulnerability Strategy

- The four priority areas are the right ones – (PSR) Awareness and Accessibility, CO Safety, Affordability and Fuel Poverty and
- There is a clear stakeholder consensus to explore how we can deliver additional services beyond the meter (in homes), especially focussed on energy efficiency improvements
- Several stakeholders have asked us to be clearer on the role of the Cadent Foundation vs. regulatory spend in our strategy
- Centres for Warmth are seen as a cornerstone of our strategy, helping to create local, relevant and trusted connections between support and those who need it the most
- There is a growing link between fuel poverty and health issues. There is a keenness from many NHS Charities Trusts to extend the DAWS initiative beyond Birmingham and West Midlands

Informing our funding proposals

- Most (39/40) of the expert stakeholders responding to Ofgem's Sector Specific Methodology. Consultation supported a continuation or increase in regulatory funding for GDNs to support customers in vulnerable situations
- Stakeholders receiving funding through the VCMA see it as essential; unlike other funding it is 'flexible' in its application, long term (not annual as most other funding is), significant (enabling tangible difference)
- There is a strong consensus amongst them that initiatives currently being funded would have to be wound-down, should the VCMA funding be removed
- Many see additional value (beyond the funding alone) in the partnership working with Cadent – a business with core skills in project management, connections, stakeholder engagement, energy efficiency and engineering solutions and excellent access to customers in vulnerable situations

Customer Testing of Proposals

- 69 % of people believe energy companies have an obligation to support the vulnerable in society
- Only 50% understand what support is out there
- Through WTP 60% of our customer support an increase in their bill to enable Cadent to provide greater support for customers in vulnerable situations
- More than half of our customers are concerned about their energy bills and see utilities amongst those that should be doing more to support customers struggling financially

Independent Stakeholder Group

- The Group have provided feedback on all aspects of our Customer Vulnerability Strategy and, in particular on the tone and clarity within it. Their feedback is consistent with many of the points above, but in addition they have challenged us to:
 - Focus on how we collaborate with the other GDNs to ensure that projects we are leading on can be replicated nationally
 - Include more direct measures of success for projects such as money saved for customers – ensuring we realise the limitation of SROI measures alone.

4.4. Impact on the Business Plan

- Our Customer Vulnerability Strategy continues to focus on the same four priority areas as we have in RIIO-2
- We have taken lessons learned from the 250 projects delivered to date to prioritise the initiatives that will roll into the next period
- We have proposed extensions to several key initiatives, including Centres for Warmth and partnering with NHS Charity Trusts
- We have balanced the feedback from stakeholders and customers that suggest maintaining or increasing funding in this area with Ofgem's SSMD which leans towards a reduction (noting overall impact on customers' bills). We have developed a strategy that will deliver greater impact (reach and breadth) but require less regulatory funding
- Nevertheless, we have stressed the importance of maintaining the operation of the VCMA in a similar manner – allowing continued flexibility, strategic planning and certainty
- We have placed greater focus on energy efficiency measures and linked these into initiatives that sit in our Environmental Action Plan and Quality Experience chapter, which will also see us create an industry wide 'blueprint' for the evolution of Services Beyond the Meter, working with a range of stakeholders and considering future requirements resulting from an energy transition process
- We have clearly defined the role of the Cadent Foundation and its interplay with our regulatory funding
- We have agreed with other GDNs which initiatives we collectively deliver that could be funded through base allowances, rather than the VCMA and created a joint Vulnerability Strategy that describes this
- We have added several direct customer outcome measures within our commitments, in addition to SROI

5. Glossary

Term	Definition
BAU	Business as usual
CO	Carbon Monoxide
DESNZ	Department of Energy Security and Net Zero
DAWS	Direct access to wellbeing services
FPNES	Fuel poor network extension scheme
GDN	Gas distribution network
PSR	Priority services register
SCWG	Safeguarding customers working group
SBitM	Services beyond the meter
SROI	Social return on investment
VCMA	Vulnerability and Carbon Monoxide allowance
WTP	Willingness to pay