

Report on the GDPCR Gas Discretionary Reward Scheme 2012-13

This document summarises the results of the GDPCR Gas Discretionary Reward Scheme 2012-13.

1. Introduction

- 1.1. The current discretionary reward scheme has been in place for gas distribution networks (GDNs) since 2008. The aim of the scheme is to encourage and drive performance in areas of service that we have typically found difficult to measure or incentivise. The scheme rewards the performance of GDNs across three specified categories:
 1. Category one: Initiatives which reduce the environmental impact of gas distribution,
 2. Category two: Initiatives which facilitate network extensions, particularly those that increase the affordability of network extensions for fuel poor consumers and;
 3. Category three: Schemes promoting gas safety, including awareness of the dangers of carbon monoxide.
- 1.2. The incentive is designed to reward exceptional outcomes that can be regarded as best practice and replicated across the industry. It recognises leading performance within the industry and aims to drive innovation. It is not intended as a means to fund GDN activities.
- 1.3. The scheme has a maximum annual financial reward of £4 million per year, available across all GDNs. The allocation of the reward is based on an assessment of the GDNs' activities by an independent Panel.

2. The submissions and the Panel

- 2.1 On 7th June 2013 we received submissions from all four GDNs detailing the initiatives they consider have best served the interests of customers under each category.
- 2.2 This year's panel was made up of experts drawn from a range of UK organisations. The panellists were chosen because of their unique skills and expertise – in particular their specialist knowledge of safety, environmental and social issues. The panel members were:
 - Sarah Harrison, Senior Partner, Sustainable Development, Ofgem (Chair)
 - Clare Curtis-Thomas, former Chief Executive of the Institution of Gas Engineers and Managers (IGEM)
 - Audrey Gallacher, Director of Energy at Consumer Futures
 - Teresa Perchard, former Director of Policy and Advocacy at the Citizens Advice Bureau
 - Simon Roberts, Chief Executive at the Centre for Sustainable Energy
 - Marion Spain, former Senior Director at the Water Services Regulation Authority (Ofwat)
- 2.3 All companies were invited to attend a 20 minute question and answer session with the panel on 18 July 2013.

3 General panel feedback to the GDNs

- 3.1 The Panel thanked all of the GDNs who attended the Q&A session and expressed their gratitude to the people involved in the development of this year's submissions. The Panel acknowledged the improvements that had been made over the five years of the scheme.
- 3.2 The Panel were impressed by -
- the significant progress that had been made since last year,
 - the establishment of partnerships and cross-industry dialogue on a number of issues (most notably on carbon monoxide (CO) safety issues),
 - the evidence that activities are now underpinned by comprehensive strategies,
 - the level of continuity and ongoing commitment to longer term initiatives, and
 - the extent to which activities are now embedded into the businesses and are considered business-as-usual.
- 3.3 The Panel encouraged the GDNs to -
- place more emphasis on cross-industry collaboration (eg sharing data and learning) to maximise their impact reducing fuel poverty and improve their environmental performance,
 - adopt best practice activities and initiatives,
 - measure and quantify the impact of their activities,
 - broaden the passion and creativity that some organisations have demonstrated in their CO safety initiatives into the other assessment areas, and
 - widen their approach to addressing issues associated with fuel poverty.

4 The panel awards for GDNs

- 4.1 After assessment of the written submissions and oral presentations, the Panel agreed that, in general, the GDNs had performed better than in previous years. As a result, the Panel agreed to award the full amount of the available £4m.
- 4.2 In addition to highlighting and rewarding GDNs that demonstrate leadership, innovation and a robust strategy, the Panel decided to allocate several industry-wide awards in recognition of the partnership working that the GDNs had demonstrated. The Panel hoped that this would encourage the GDNs to continue to take a collaborative approach and develop industry wide partnerships to maximise benefits for consumers.
- 4.3 The Panel chose to allocate rewards for each category as follows:

Category one: Initiatives which reduce the environmental impact of gas distribution.

In this category a total of £850,000 was awarded. All GDNs were awarded £100,000 for their work developing in bio-methane connections. In total -

- WWU was awarded £350,000 for the wide range of environmental innovation demonstrated in its submission (eg their climate change impact maps and climate change remediation projects).
- SGN was awarded £200,000 for successfully connecting biomethane and its "core and vac" excavation technology.
- National Grid Gas (NGG) was awarded £150,000 for its hydrogen research.
- Northern Gas Networks (NGN) was awarded £150,000 for its work on the disposal of gas holders.

Category two: Initiatives which facilitate network extensions, particularly those that increase the affordability of network extensions for fuel poor consumers.

In this category a total of £2.05 million was awarded. To reflect the importance of collaborative working in this area, the Panel decided to reward all GDNs £400,000 for their work delivering fuel poor network extensions. In total -

- WWU was awarded £600,000 for its fuel poverty strategy and research into non-monetary benefits of installing gas into off-gas grid homes.
- SGN was awarded £500,000 in recognition of its work identifying fuel poor customers and approach to partnership working.
- NGG was awarded £500,000 in recognition of its good work with park homes and "whole community approach" to connecting fuel poor consumers.
- NGN was awarded £450,000 for its work in delivering heat solutions for multiple occupancy buildings.

Category three: Schemes promoting gas safety, including awareness of the dangers of carbon monoxide.

In this category a total of £1.1 million was awarded. The Panel decided to reward all GDNs £100,000 for the collaborative nature of their work addressing CO safety. In total -

- WWU was awarded £400,000 for the range of innovative activities used to increase CO safety (eg community road shows, radio advertisements, theatre plays) and its enduring engagement with consumers about gas safety.
- SGN was awarded £300,000 for its strategic approach to addressing CO safety and its work alongside national and European political institutions.
- NGG was awarded £175,000 for its innovative approach to raising CO safety awareness in certain groups (eg their mobile phone app targeting students)
- NGN was awarded £225,000 for its range of initiatives to improve gas safety (eg artists in residence initiative).

5 Conclusion of the GDPCR Gas Discretionary Reward Scheme for 2012/13

- 5.1 All companies were invited to meet with Ofgem staff after the panel session to provide them with company-specific feedback.
- 5.2 This year's scheme is the fifth and final year of the scheme. Lessons from running the DRS for the last five years will be used to inform process and guidance for the DRS to be held for RIIO-GD1 in 2015/16. The next price control period has the DRS scheduled for every three years.