

Sirio – IAT-SROI Tool

Funding GDN(s)	Northern Gas Networks
For Collaborative VCMA Projects:	Role of GDN(s) N/A
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Project contact name:	Steven Dacre
Project contact number/email:	SDacre@northerngas.co.uk
Total cost (£k)	*detailed separately
Total VCMA funding required (£k)	*detailed separately

1. Problem(s)

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

At present, two disparate methods are employed by NGN to assess the various impacts of innovation projects on customers. These are (i) the Impact Assessment Tool (IAT) and (ii) Social Return on Investment (SROI).

The IAT was developed by Sirio (please refer to Section 6.0 for more information on this project partner) for the use of all energy networks in the UK. It is employed to assess the potential impacts of innovation projects on customers in situations of vulnerability. As a result of answering a set of questions, users have a score generated for the project they are assessing, in addition to a granular breakdown of the impacts on customers across all scenarios considered by the tool.

In a similar vein, SROI tools and processes have served as a central means of measuring the outcomes delivered by the UK's energy networks for vulnerable customers in recent years. This method captures proxies for traditionally non-quantifiable benefits enjoyed by customers or society (e.g. the avoided cost of pollution).

Solution

NGN has built and developed a proprietary SROI tool.

NGN faces inefficiencies in adopting two separate tools and processes to forecast the impact of innovation projects. At the same time, the disjointed nature of the two tools, which capture different aspects of a project's impact (qualitative vs. quantitative) can lead to suboptimal results in the estimation of a project's true value. These issues will be directly addressed via this project, which will result in the merging of the IAT and NGN's SROI framework into a single tool to serve as a one-stop solution to aid in understanding the varying impacts – both qualitative and quantitative – of NGN's projects on their customer base.

2. Scope and Objectives

The scope and objectives of the VCMA Project 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.

Following the development of the IAT, NGN wishes to merge it with their SROI framework into a single tool. This will create an 'all in one' solution to aid in understanding the impacts of NGN's projects on their customers.

Both tools are currently used separately in the project set-up process at NGN. Merging the two of them will streamline this process, while providing the highest available level of transparency with respect to the impacts of any given project on NGN's customers. This transparency will aid in guiding the decision process within the company, including whether to implement, scale up or down projects based on the qualitative and quantitative impacts on the customer base.

In short – NGN’s customers, especially those in vulnerable situations, will benefit from the company making more informed and streamlined decisions with respect to projects that have a direct impact on them.

2.1 The objectives of this initiative are:

- The merging of NGN’s in-house SROI framework with the IAT.
- The creation of a one-stop solution to assess the comprehensive impacts of projects on customers.
- The streamlining of the project-set up process at NGN, while providing transparency with respect to the varying impacts of any given project on NGN’s customer base.

2.2 Scope

- Building of the merged tool in Microsoft Excel.
- Building of a user guide to accompany the tool.
- User testing to ensure the tool operates in line with the requirements of all relevant parties.
- Covers all of NGN area

3. Why the Project is being funded through the VCMA

This should include an explanation of why the VCMA Project meets the VCMA eligibility criteria. This is a requirement

This project qualifies under the criteria for VCMA funding, as it will support vulnerable customers and project partners when applying for funding for a new VCMA project. This project will provide organisations with a toolkit to establish vulnerability criteria within their project and to establish whether the project has a forecasted positive SROI.

There will be no collaboration from other GDN’s nor other funded sources.

3.1 Eligibility criteria

- This project has a positive SROI
- This project will support NGN’s Vulnerability Strategy
- The tool highlights the extent to which projects provide support to consumers in vulnerable situations.
- Has defined outcomes as required
- Goes beyond NGN’s licence obligations and price control funded mechanisms

4. Evidence of stakeholder/customer support

This should provide information of the 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.

Within the Northern Gas Networks region, we serve 2.7 million gas-using households. The socio-economic characteristics of our region mean that we operate in many communities that are amongst the most economically deprived in the whole country. This was a key factor in our prioritising engagement with vulnerable and hard-to-reach groups of customers, telling them about our services, about what we do and how we could improve.

Both the IAT and SROI tools/frameworks have been developed against the backdrop of the energy system transition, through which the relationship between energy networks and customers is set to profoundly change. As the role of energy networks in customers' lives becomes more prominent, there is an increasing need to ensure (in a transparent manner) that the funding allocated to networks drives value for specific communities and consumers, including those who find themselves in situations of vulnerability.

With respect to the IAT, the UK energy networks recently issued a call for innovation for the development of a tool that can be used to consistently assess the impact of any given project on customers affected by a range of vulnerable circumstances. Sirio constructed this tool (which was completed in late 2021), the development of which was informed by engagement with 24 expert stakeholders in support of the process who's views translated into impact scores that were unified into a single output.

The SROI framework, on the other hand, has been employed by energy networks from as early as 2018 to assign a monetary value to the positive externalities enjoyed by society to ultimately demonstrate the value of these organisation's actions in full. Frameworks adopted by different networks were typically in line with guidelines set out by the HM Treasury Green Book and the UK Cabinet Home Office with respect to how social impacts should be incorporated in cost benefit analyses.

Each year, we undertake analysis of all the insight we've heard in the previous year to prioritise those issues our stakeholders most want to engage on. Over the past 12-18 months, we've done this in a number of ways.

4.1 Customers in Vulnerable Situations (CIVS) Workshops 2021 – 2022

Asking our stakeholders what's important – using our wide range of engagement mechanisms from strategic workshops to customer perceptions, we asked stakeholders to prioritise what is most important to them (including digital engagement in light of CV-19).

Recent social indicator mapping research carried out in June 2022, indicated that Bradford, Hull, Scarborough, South Tyneside and Sunderland were the top five places, to emerge as having the greatest concentration of vulnerabilities within NGN's network. This was based on a combination of the following vulnerability factors:

- Fuel poverty

- Benefit claims
- No qualifications
- Long term health problem / disability

Due to the financial challenges, currently experienced in these areas, makes it even more important to raise awareness of the signs and symptoms of CO. These localities need to be key areas for consideration, both in terms of ensuring service delivery is aware of challenges people may face, and in relation to targeting potential support. Northumberland and the East Riding of Yorkshire are the two more rural districts that are close to fitting the bill, in relation to the vulnerability factors above. Raising awareness of CO needs to be a priority in these areas, due to the fact that many communities will be off the gas grid and using other fossil fuels such as, oil, coal and wood burning stoves.

Each year we use our annual Customer Perceptions Research to understand the priorities of our customers. Amongst a set of general tracker questions i.e., same questions that are asked year on year, the evidence in the most recent research (February 2022), indicated that keeping bills as low as possible ranked more highly, than providing a safe and reliable supply of gas, for the first time. This is a clear indication, as to how concerned customers are about the cost of energy and the subsequent impact this will have on other bills.

4.2 Customer Engagement Group (CEG)

This group provides an independent oversight into the actions we take to support customers in vulnerable situations (CIVS). Checking we've got it right – using a range of engagement mechanisms to assess and challenge our response to stakeholder feedback, ensuring we are responding in the right way. This has offered us robust challenges into how we deal with CIVS, which meets the needs of our stakeholders. This group is fully aware of the success of Warm Hubs.

4.3 Vulnerability Strategy AAA Framework

Within our Vulnerability Strategy we have developed, with the help of our stakeholders, the 'AAA' framework. This helps us support our customers in vulnerable situations. Awareness, Accessibility and Action. By adapting this principles-based approach into our AAA framework, we will ensure that all customers are treated fairly and consistently. The themes of financial hardship, rurality and mental health which are addressed with the Warm Hub model, align to NGN's Vulnerability Strategy.

5. 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.

5.1 Outcomes

This project has the aforementioned outcome of merging the IAT and NGN's SROI framework into a single tool. The required actions (along with proportion of the funding allocated) are captured in the foreseen steps below:

Step 1: Obtain and analyse NGN's SROI model / framework (2.5%).

- NGN to provide their existing SROI tool and any accompanying documentation. Sirio will then proceed to analyse NGN's SROI materials to inform the development of tailored options in Step 2.

Step 2: Produce a tailored set of options for the development of the merged tool (10%).

- For each option, Sirio will provide a detailed description of how these would operate from NGN's perspective and what the precise foreseen outputs would be.

Step 3: Hold a workshop to identify the preferred option (2.5%).

- Directly following Step 2, a workshop will be held in which Sirio will present the set of options for the development of the tool. This will be done with the intention of (1) illustrating the various options at an in-depth level, ensuring the option most suitable to NGN's requirements is selected and (2) deciding on the best manner to go forward with respect to the tool's development.

Step 4: Build phase (60%).

- This phase – at a high-level – includes the following:
 - Building of the merged tool in Microsoft Excel.
 - Building of a user guide to accompany the tool.
 - Several rounds of independent testing of the tool by members of the Sirio team.
 - The construction of a live demo to be presented to NGN in Step 5.

Step 5: Present NGN with a first draft of the tool and obtain feedback via usability testing (20%).

- Members of the Sirio team will present the tool via a live demo to NGN. Any feedback obtained during the session will be noted. A set of NGN employees will also be provided with the tool and asked to input a sample project in the days following the presentation.

Step 6: Produce a final draft and deliver the tool (5%).

- Feed any considerations raised in Step 5 into the tool and develop a final draft, ready for implementation at NGN.

5.2 Success criteria

- Delivery of the project and respective outcomes within the agreed upon timeframe.
- The subsequent employment of the tool by NGN for all relevant projects to aid in understanding the varying impacts of their projects on customers.

6. Project Partners and third parties involved

Details of Project Partners or third-party involvement

NGN will not be working with Sirio who are a specialist consulting firm operating at the intersection of consumers, regulation and utilities. They advise utility and infrastructure companies in developing business strategies, investment plans and projects that maximise values for all stakeholders, with the following areas of focus:

- Stakeholder-driven decision making.
- Consumer vulnerability.
- Social value measurement.

Of particular relevance to this project, Sirio developed the IAT – a simple Excel-based tool used to assess the potential impact of projects on vulnerable customers and members of the Sirio team first introduced the use of the SROI to measure the outcomes delivered by UK energy networks and have since advised several companies on a regular basis within the space.

7. Potential for new learning

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

In general, this project will demonstrate the benefits and opportunities that stem from joining tools and processes that forecast different types of impacts generated by networks' initiatives.

More specifically, this has the potential to serve as a trial for other GDNs to look to who may wish to merge the IAT with their own in-house SROI frameworks. The extent of how much this may alter the reporting process is dependent upon the preferred option of the tool selection in Step 3, however, in either sense this would serve as a first-in-class approach to understanding the varying impacts of GDN's projects on their customer bases via a single tool / process.

The learning will be shared with all stakeholders, including GDN's, DNO's and water companies

8. Scale of VCMA Project and SROI calculations

The Funding Licensee(s) should justify the scale of the VCMA Project – including the scale of the investment relative to its potential benefits. As part of this, it should provide the SROI calculation.

This project has a positive SROI return

VCMA Project start and end date

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

1st April 2022 – August 2022

Geographic area

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.

All of NGN area

Approved by

Eileen Brown
Customer Experience Director