Stakeholder Engagement Workshops

February 2019

HOUSEKEEPING

WESTERN POWER DISTRIBUTION
Serving the Midlands, South West and Wales

WELCOME

Today's format:

- A quick overview of WPD

- Four morning sessions, each following a consistent format:

     Presentation ➔ *Round-table discussion* ➔ *Electronic voting*

- Choice of 4 afternoon surgeries – on detailed topics

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AGENDA

SESSION 1:	**Introduction to WPD and our RIIO-ED2 engagement plan**	
SESSION 2:	**The RIIO-ED2 framework:** and your expectations of WPD	
SESSION 3:	**Your priorities for RIIO-ED2:** what you want us to deliver	
COFFEE		
SESSION 4:	**Being a responsible business:** building a "social contract"	
SESSION 5:	**Smart future and new possibilities:** Distribution System Operator	
WRAP UP		
LUNCH		
SESSION 6:	**Choice of specific surgeries:** ▪ Connections ▪ Consumer vulnerability ▪ Electric vehicles & wider innovation ▪ Network charging	

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? ELECTRONIC VOTE A:

What is your favourite electricity-related song?
(select one option)

0. She's Electric – Oasis

1. Power to the People – John Lennon

2. Are 'Friends' Electric? – Gary Numan

3. High Voltage – Electric Six

4. Electric Avenue – Eddy Grant

5. Power of Love – Huey Lewis and the News

6. Anything by ACDC…

7. Anything by the Electric Light Orchestra….

8. Power of a Woman – Eternal

9. Transmission – Joy Division

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? ELECTRONIC VOTE B:

What is your favourite electricity-related song?
(drag and drop in the order of your preference)

0. She's Electric – Oasis

1. Power to the People – John Lennon

2. Are 'Friends' Electric? – Gary Numan

3. High Voltage – Electric Six

4. Electric Avenue – Eddy Grant

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ELECTRONIC VOTE C:

What type of stakeholder are you?
(select one option)

0. Domestic customer / consumer interest body

1. Business customer (or representative)

2. Local authority officer / elected representative

3. Connections customer

4. Environmental group / consultancy

5. Energy / utility company

6. Charity / non-profit organisation

7. Academic / education institute
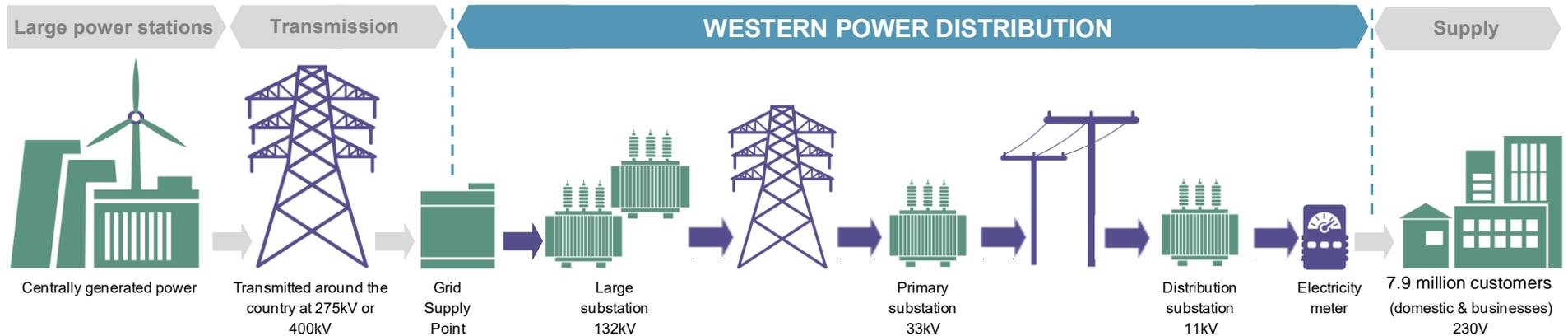
8. Parish councillor / clerk

9. Other

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Session 1:
Introduction to WPD
&
Our RIIO-ED2 engagement plan

Alex Wilkes
Stakeholder Engagement Manager

WHO WE ARE: WE ARE A DISTRIBUTION NETWORK OPERATOR (DNO)

- We operate the local electricity network, distributing power to 7.9 million homes & businesses
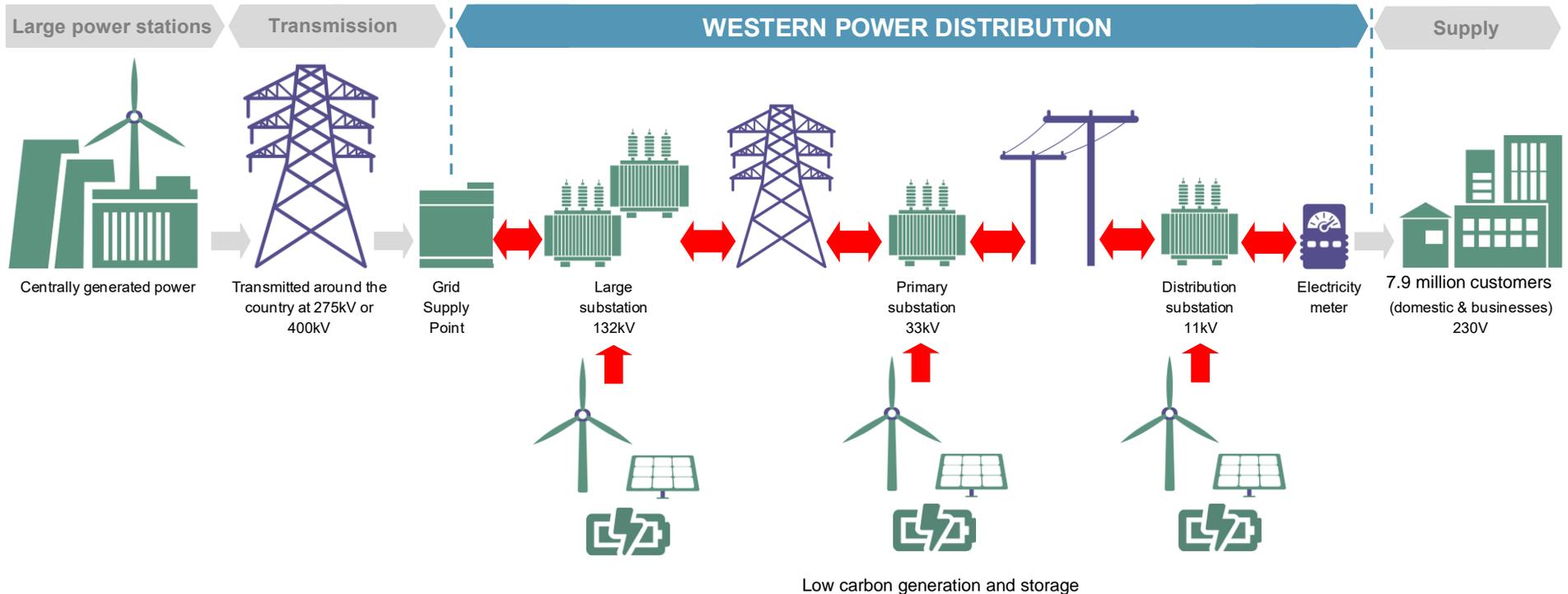
Large power stations	Transmission	WESTERN POWER DISTRIBUTION					Supply

Centrally generated power — Transmitted around the country at 275kV or 400kV — Grid Supply Point — Large substation 132kV — Primary substation 33kV — Distribution substation 11kV — Electricity meter — 7.9 million customers (domestic & businesses) 230V

- Covering the East and West Midlands, South Wales and South West England

Lincoln
Nottingham
Stoke-on-Trent
Boston
EAST MIDLANDS
Shrewsbury
Birmingham
Tipton
Coventry
East Wales
WEST MIDLANDS
Milton Keynes
West Wales
SOUTH WALES
Gloucester
Swansea
Cardiff
Bristol
Mendip
Barnstaple
SOUTH WEST
Somerset
Torquay & Exeter
Bodmin
Plymouth
Redruth

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WHO WE ARE: BECOMING A DISTRIBUTION SYSTEM OPERATOR (DSO)

- We operate the local electricity network, distributing power to 7.9 million homes & businesses


Large power stations	Transmission	WESTERN POWER DISTRIBUTION	Supply

Centrally generated power

Transmitted around the country at 275kV or 400kV

Grid Supply Point

Large substation 132kV

Primary substation 33kV

Distribution substation 11kV

Electricity meter

7.9 million customers (domestic & businesses) 230V

Low carbon generation and storage

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WHAT WE DO: AS A DISTRIBUTION NETWORK OPERATOR (DNO)

- Four traditional tasks:
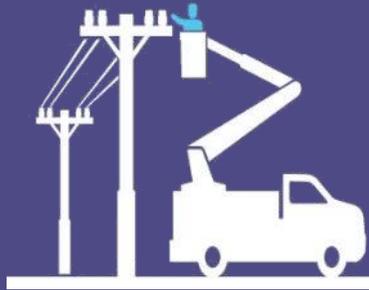
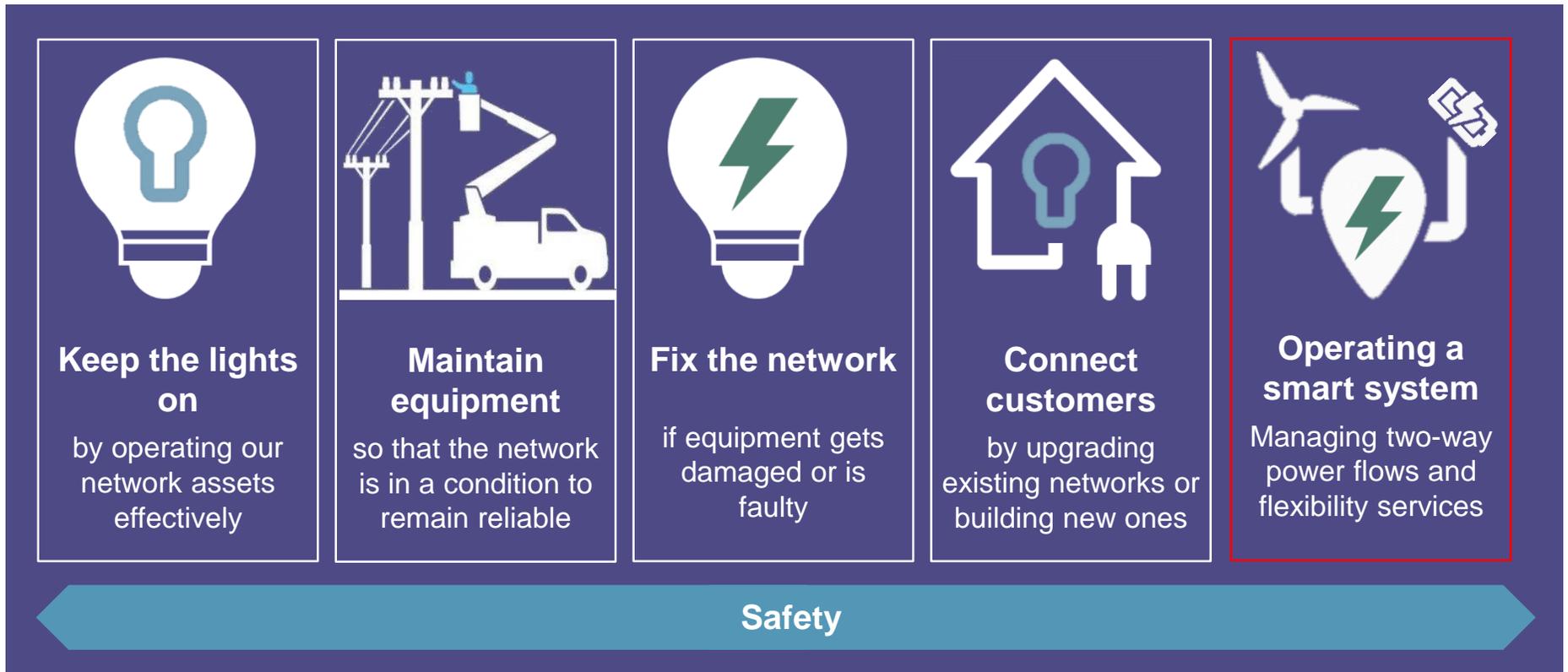| Keep the lights on	Maintain equipment	Fix the network	Connect customers
by operating our network assets effectively	so that the network is in a condition to remain reliable	if equipment gets damaged or is faulty	by upgrading existing networks or building new ones

Safety

WHAT WE DO: BECOMING A DISTRIBUTION SYSTEM OPERATOR (DSO)

Keep the lights on	**Maintain equipment**	**Fix the network**	**Connect customers**	**Operating a smart system**
by operating our network assets effectively	so that the network is in a condition to remain reliable	if equipment gets damaged or is faulty	by upgrading existing networks or building new ones	Managing two-way power flows and flexibility services

Safety

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BUSINESS PLANNING PROCESS

Networks are regional monopolies, so customers can't 'vote with their feet'

Therefore:

ofgem

regulates how much revenue we can earn and what we must deliver to earn it

- *Seeks to protect consumers' interests*

- *Mimics competition to drive down costs and ensure high performance*

- *Sets price controls that determine how much we can spend*

- *Issues licences setting out our obligations and the revenues we can earn for delivering them*

- *Periodically WPD develops a Business Plan working with stakeholders*

- *This Business Plan is submitted to Ofgem for approval*

The next price control will cover 5 years

- *Commencing 1ˢᵗ April 2023*

- *Covering the period 2023-2028*

- *Preparations (including today's event) are now underway – extensive engagement with stakeholders will be crucial*

THE CURRENT RIIO FRAMEWORK

$$R_{evenue} = I_{ncentives} + I_{nnovation} + O_{utputs}$$

Electricity **D**istribution **1** (1st price control using this framework)

Incentives to drive leading performance

- Customer service
- Network performance
- Losses
- Connections
- Efficiency

Focus on driving innovation

Network Innovation Competition

Clearly defined commitments to deliver

Safety	Environment
Reliability	Connections
Customer satisfaction	Social obligations

Underpinned by extensive stakeholder engagement

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OUR TIMELINE FOR RIIO-ED2

- In the current price control WPD was the only electricity distribution company to have its Business Plan "fast tracked" (accepted first time round and in total by Ofgem)

- There may be an opportunity for "fast tracking" in the next price control. If so, for a Business plan starting in 2023, the timetable would be:

First draft Business Plan published for stakeholders to review	Sept-20
Second draft Business Plan published for stakeholders to review	Dec-20
Initial submission of the Business Plan to Ofgem	Mar-21
Present to Ofgem's Consumer Challenge Group	Apr-21
Final Business Plan submission	Jun-21
Ofgem consultation	Sep-21
Final Ofgem determination	Feb-22

- A submission in early 2021 therefore requires us to begin our planning now

- Beginning in 2019 means we are looking up to 9 years ahead, so we must be forward thinking and inclusive when we engage

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WPD'S ENGAGEMENT PROCESS

- **It is critical that we build our Business Plan with our stakeholders - every key decision and commitment must be well justified**

- To achieve this we will follow a five stage engagement process

Stage 1: Preliminary engagement	– Identify initial stakeholder priorities *(areas within which outputs and performance improvements are expected)*
Stage 2: Willingness to pay	– Identify specific improvement levels within each priority area and their value to customers
Stage 3: Business plan development	– Draft our commitments with stakeholders and indicate likely costs
Stage 4: Business plan refinement	– Negotiate output levels and refine/clarify our commitments
Stage 5: Business plan acceptance testing	– Present the final plan to stakeholders for review (and voting) before submission to Ofgem

- Our engagement methods will be tailored to suit the audience, e.g:
face-to-face workshops, written consultations, focus groups,
market research, webinars, online surveys, digital panels

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TABLE DISCUSSION

WPDs engagement approach for RIIO-ED2

1.   **Why have you attended today?**

2.   **Would you like to be involved in our consultation at key points?**

3.   **What methods of engagement best suit you and the wider stakeholders/customers that you represent?**

4.   **Are there any key stakeholder groups that you feel it is vital to involve?**

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Session 2:

The RIIO-ED2 price control framework

Paul Branston
Regulatory and Government Affairs Manager

THE AIM OF THIS SESSION:
WHAT CUSTOMERS WANT AND VALUE

In the context of a brief explanation of Ofgem's intended framework, we will cover:

- **What are the *outcomes* that matter most to you?**

- **How can we structure the *outputs* we will deliver to achieve these *outcomes?***

- **How can we deliver value to our customers?**

Drawing a clear distinction:

Outcome = The impact/benefit stakeholders can expect to see

Output = Specific commitments setting out how these will be delivered

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THE KEY FEATURES OF THE CURRENT RIIO-ED1 BUSINESS PLAN

- It covers an 8 year period, 2015-2023 (RIIO-ED2 will reduce to a 5 year settlement)

- Overall we are investing £7.1 billion in core distribution activities

- There are **six output categories**:

SAFETY	RELIABILITY	ENVIRONMENT	CONNECTIONS	CUSTOMER SATISFACTION	SOCIAL OBLIGATIONS

- Within which we committed to **28 outcomes**. For example:

SAFETY	RELIABILITY	ENVIRONMENT	CONNECTIONS	CUSTOMER SATISFACTION	SOCIAL OBLIGATIONS
Reduce the number of accidents	Deliver continual improvement in network performance	Reduce the carbon footprint of the business	Provide a fast and efficient connections service	Deliver excellent customer service	Improve services for customers in vulnerable situations

- Achieved by delivering **76 outputs**. For example:

(4) Reduce our overall accident frequency rate by 10%	(11) Deliver 16% fewer power cuts and restore electricity supplies 23% quicker	(28) Reduce waste sent to landfill by 20% in the first two years of RIIO-ED1 and 5% p/a thereafter	(34) Improve the overall time taken to deliver a connection by 20%.	(44) Be the top-performing DNO group in Ofgem's Broad Measure of Customer Satisfaction	(67) Contact all customers who depend on a power supply for medical reasons every three hours during power cuts

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RIIO-ED1 - HOW WE ARE DOING

Ofgem's latest annual report:		Safety	Reliability	Connections	Customer satisfaction	Social obligations	Environment* (carbon footprint reduction)
WPD	W. Mids	🟩	🟩	🟩	🟩	🟩	-17%
	E. Mids	🟩	🟩	🟩	🟩	🟩	-8%
	S. Wales	🟩	🟩	🟩	🟩	🟩	-10%
	S.West	🟩	🟩	🟩	🟩	🟩	-15%
Electricity North West	N. West	🟩	🟩	🟩	🟩	🟩	-9%
SSE	N. Scotland	🟩	🟩	🟩	🟩	🟩	-28%
	Southern	🟩	🟩	🟧	🟩	🟩	-7%
Northern PowerGrid	North East	🟩	🟩	🟧	🟩	🟩	+59%
	Yorkshire	🟩	🟩	🟧	🟩	🟩	+10%
UK Power Networks	London	🟩	🟩	🟧	🟩	🟩	0%
	East	🟩	🟩	🟧	🟩	🟩	-9%
	South East	🟩	🟩	🟧	🟩	🟩	8%
Scottish Power	S. Scotland	🟩	🟩	🟧	🟩	🟩	1%
	N. Wales	🟩	🟧	🟧	🟩	🟩	23%

- **In 2017/18 WPD met all of our 76 outputs as follows:**
  - 64 ✔ Yearly output met
  - 12 ✔ On track for achievement in RIIO-ED1
  - 0 ✖ Missed target

* Ofgem did not assign a traffic light indicator for 'Environment' overall, because it is not directly comparable across all DNOs – each committed to different environmental targets and started from different baseline. However, Ofgem published business carbon footprint reductions, which are displayed in the table above

1. OUTCOMES:
NOTABLE CHANGES FOR RIIO-ED2

- In ED1 there are currently 6 categories, under which WPD's 76 commitments are structured

- Ofgem is proposing to consolidate _outcomes_ into three categories (applicable cross-sector) to make them "*as intuitive and simple as possible, reducing overlap and potential confusion*"

Meet the needs of consumers and network users:
Network companies must deliver a high quality and reliable service to all network users and consumers, including those that are in vulnerable situations

Maintain a safe and resilient network:
Network companies must deliver a safe and resilient network that is efficient and responsive to change

Deliver an environmentally sustainable network:
Network companies must manage the impact of their activities on the environment and enable the transition towards a smart, flexible, low cost and low carbon energy system for all consumers and network users

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1. OUTCOMES:
WHAT OUTCOMES WOULD YOU LIKE US TO ACHIEVE IN RIIO2 (2023+)?

- WPD's absolute priority is to:
  - Deliver clear benefits for customers
  - Ensure customers know that they are getting for their money and trust that WPD is providing the highest levels of service quality possible

- Last year we asked you to identify strategic outcomes you expect WPD to deliver. They were:

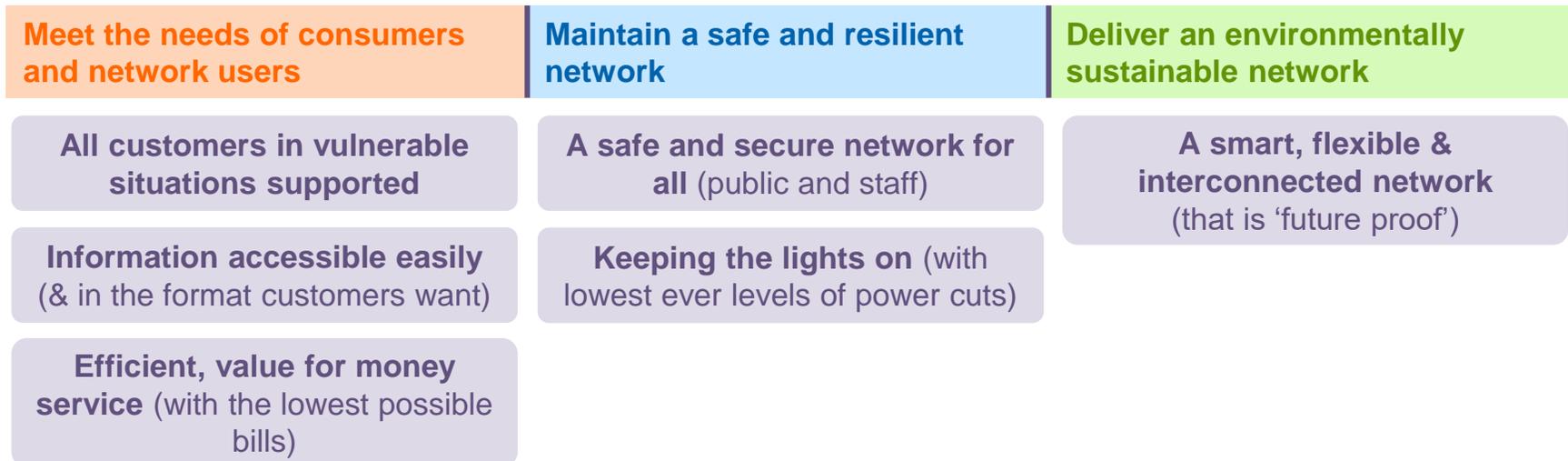|		
Keeping the lights on (with lowest ever levels of power cuts)	**A smart, flexible & interconnected network** (that is 'future proof')	**Information accessible easily** (and in the format customers want)
A safe and secure network for all (public and staff)	**All customers in vulnerable situations supported**	**Efficient, value for money service** (with the lowest possible bills)

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1. OUTCOMES: *QUESTIONS*

WPD needs to communicate in a way that helps stakeholders to understand what we commit to deliver:

- **Are WPD's six strategic outcomes still appropriate – are there any missing?**

- **Do you agree with how we propose to structure our strategic outcomes under Ofgem's new categories?**

Meet the needs of consumers and network users	Maintain a safe and resilient network	Deliver an environmentally sustainable network
All customers in vulnerable situations supported	**A safe and secure network for all** (public and staff)	**A smart, flexible & interconnected network** (that is 'future proof')
Information accessible easily (& in the format customers want)	**Keeping the lights on** (with lowest ever levels of power cuts)	
Efficient, value for money service (with the lowest possible bills)		

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2. STRUCTURING OUR OUTPUTS: OFGEM'S FRAMEWORK

- Within each of the three categories, Ofgem has defined three types of output:

Licence Obligation (LO)

- Minimum standards for all companies
- Failure to meet could lead to penalties or enforcement action

Price Control Deliverable (PCD)

- Specific deliverables with explicit, ring-fenced funding levels attached. E.g:
  - Large one-off capital projects (with stated specification, budget or timing)
  - Commitments associated with baseline funding

e.g. Tree trimming programme – Xkm length at X unit cost to deliver

Output Delivery Incentive (ODI)

- Where service improvement (beyond minimum standards) is in the interest of consumers. Will include:
  - Reputational incentives
  - Financial incentives – rewards or penalties
- To be common for companies across the sector

e.g. Network performance – targets for power cut duration & frequency (Better = reward; Worse = penalty)

Note: Companies will be allowed to propose bespoke PCDs and ODIs (developed with stakeholders)

2. STRUCTURING OUR OUTPUTS:
THE CHALLENGE

- We want to ensure we structure the Business Plan so it is clear and understandable for customers

- A number of our existing 76 outputs (and future outputs of this style) don't naturally fit in Ofgem's new proposed structure:

  – Some do:

Current category	Current commitment
Reliability	Guaranteed standards of performance
	Install flood protection at substations
	Reduce the average frequency and duration of power cuts

→ **Licence Obligation (LO)**
→ **Price Control Deliverable (PCD)**
→ **Output Delivery Incentive (ODI)**

  – Some do not: **Do these types of output still work for you?**

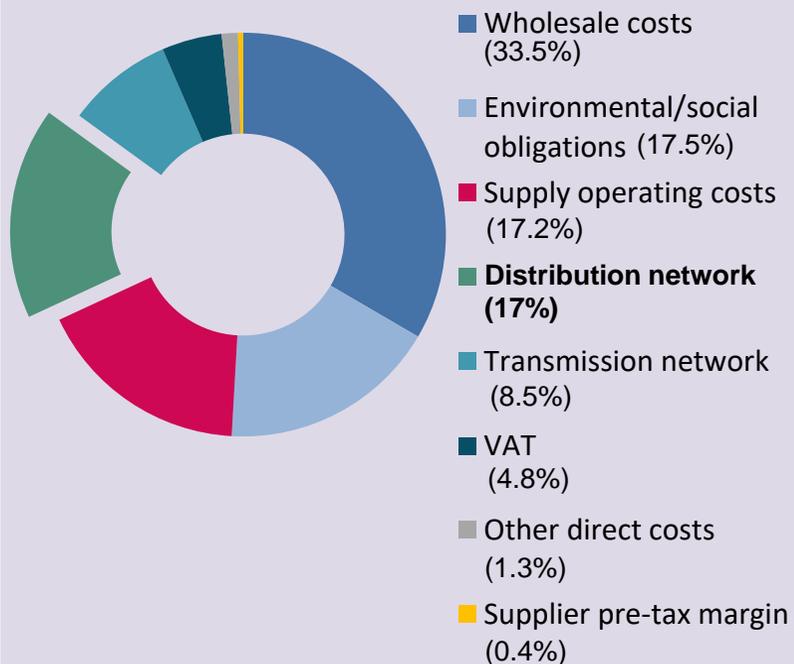| Current category	Current commitment	
Social obligations	Contact vulnerable customers on the Priority Service Register every two years to keep records up to date *(this goes beyond a basic licence obligation to hold a PSR)*	
Safety	Reduce accident frequency rate	
Customer	Be the number one DNO for customer service	Resolve 70% complaints on day one
	(Although there would likely be a ODI to overall "measure customer satisfaction")	
Environment	Ensure all replacement vehicles have lower CO_2 emissions than those they replace	
Connections	Improve the online connection applications process	

?

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2. STRUCTURING OUR OUTPUTS:
OPTIONS FOR DISCUSSION

- *Question:* **Do we:**

  A. **Limit our outputs solely to those that fit in the three types of output set by Ofgem**

  B. **First develop outputs in the three types of output. Then allow stakeholders to suggest additional commitments that are so important they should be voluntary PCDs or ODIs**

  C. **Develop a pool of outputs stakeholders want us to deliver. WPD will then:**
     - Fit those that can, within Ofgem's 3 output types
     - Discuss with stakeholders which are so important they should be considered as proposed/voluntary PCDs or ODIs
     - Deliver the remaining outputs as wider commitments to stakeholders:

Meet the needs of consumers and network users	Maintain a safe and resilient network	Deliver an environmentally sustainable network
Licence Obligations / Price Control Deliverable / Output Delivery Incentive	Licence Obligations / Price Control Deliverable / Output Delivery Incentive	Licence Obligations / Price Control Deliverable / Output Delivery Incentive
Wider commitments	**Wider commitments**	**Wider commitments**

3. DELIVERING VALUE FOR MONEY

Average GB domestic electricity bill: £577 per year

- Wholesale costs (33.5%)
- Environmental/social obligations (17.5%)
- Supply operating costs (17.2%)
- **Distribution network (17%)**
- Transmission network (8.5%)
- VAT (4.8%)
- Other direct costs (1.3%)
- Supplier pre-tax margin (0.4%)

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£8.17 per month
(or 27p a day)

In 2017/18:

- *Total expenditure:* **£941.8m**

- *Network reliability:* **99.995%**

- *Return on Regulatory Equity:* **6.3%** *(returns to shareholders)*

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3. DELIVERING VALUE FOR MONEY
A BACKDROP YOU MIGHT HAVE SEEN

THE Sun SAYS

Light fingered

IT is shocking that fat cat energy firms are trousering such staggering profits at the expense of hard-working families.

We reveal today that the ten firms who link gas and electricity to our homes pocket £96 as pure profit from the average family household's yearly bill.

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Utilities

Energy networks' £7.5bn windfall 'should be returned to consumers'

Firms that transmit electricity and gas, such as National Grid, have 'eye-watering' profit margins, says Citizen's Advice

≡ | **FINANCIAL TIMES** | *my*FT

Network companies under scrutiny for rising UK electricity prices

Helm review calls for price control shake-up and rethink of National Grid role

Money had been taken out of network companies through 'dividends, special dividends and share buybacks'. Helm review claimed © PA

🐦 f in 🔖 Save

Nathalie Thomas, Energy Correspondent OCTOBER 26, 2017 💬 8 🖨

A review into rising UK energy costs has focused scrutiny on the ownership and regulation of electricity networks — the large monopoly companies that distribute power and have been partly blamed for pushing up bills.

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3. DELIVERING VALUE FOR MONEY
WHAT YOU GET FROM WPD

What factors do you think count towards value for money?

Here's some of the ones we consider:

- **For 27p a day, in 2017/18 WPD customers received:**

  – **Highest customer satisfaction in the industry** – *7th consecutive year*

  – **Number one for stakeholder engagement** – *7th consecutive year*

  – **Better than target network performance** – *on average customers have a power cut once in 2 years, for 26 minutes*

  – **Better than target for connection time to quote and time to connect** – *small schemes get a quote in 8 days and connected in 42 days*

  – **Transition to a Distribution System Operator underway**

  – **Supported 15,229 fuel poor customers to save over £5.4 million a year**

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TABLE DISCUSSION

DELIVERING VALUE FOR MONEY

1. Were you aware of WPD's costs? How can we make our costs clearer to customers and demonstrate what our network delivers?

OUTCOMES

2. Are WPD's six strategic outcomes still appropriate – are there any missing?

3. Do you agree with how we propose to structure our strategic outcomes under Ofgem's new categories?

STRUCTURING OUR OUTPUTS

4. Ofgem have set three types of output. How should we present the commitments we make to you as stakeholders?

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? ELECTRONIC VOTE 1:

In terms of structuring outputs within our Business Plan, which approach do you most favour?
(select one option)

1. Limit our outputs solely to those that fit in the three output types set by Ofgem

2. First develop outputs in the three types of output. Then allow stakeholders to suggest additional commitments that are so important they should be voluntary PCDs or ODIs

3. Develop a pool of outputs stakeholders want us to deliver. WPD will structure these within Ofgem's framework – promising to deliver any that don't fit as "wider commitments"

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On a scale of 1-10, how aware were you of WPD's costs and the levels of services we deliver?

1 — 10

Not aware **Excellent understanding**

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ELECTRONIC VOTE 3:

On a scale of 1-10, how do you feel about the following statement?

"WPD delivers good value for money"

1 — **10**

Strongly disagree **Strongly agree**

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Session 3:

Your priorities – what do you want us to deliver?

Andrzej Michalowski - Planning and Regulation Special Projects Manager
Eleanor Sturges – Planning and Regulation Specialist

IDENTIFYING YOUR PRIORITIES

Leaving the framework to one side for a moment, lets start with a blank piece of paper…

What are your priority areas?

- Before we build specific, measurable commitments we first need to understand **your** priorities

- Your feedback over the last couple of years has informed an initial list of priority areas
  - Priorities change over time
  - New priorities emerge

What activities should we focus on?

- Having established the areas of importance**, what activities should we focus on?**

- These will determine the **commitments** we make

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PRIORITIES CHANGE OVER TIME

2011/12

Highest	'Future proofed' equipment replacement
	Low carbon innovation
	Power cuts
	Severe weather/emergencies
High	Guaranteed standards for power cuts
	Flooding
	Oil and gas leaks
	Worst served customers
	Undergrounding overhead lines in Areas of Outstanding Natural Beauty
Medium	Customer communication methods
	New connections service
	New connections communication methods
	Definition of a 'worst served' customer
	Habitats and species
	Metal theft

2017/18

	Keeping the lights on (incl. emergency resilience)
	Smart networks
	Environment and sustainability
	Workforce renewal skills & training
	Vulnerability (to power cuts)
	Government legislation & policy
	Affordability
	Connections
	Safety education
	Fuel poverty
	Customer information & data
	Customer awareness

Emerged since RIIO-ED1 Plan was agreed	Importance (out of 10)
Cyber Security	8.2
Electric Vehicles	7.9
Transition to Distribution System Operator	7.2
Changes in flood risk planning	7.0
Alternative connections offers	7.0

THE AIM OF THIS SESSION

We want to know:

1. **Have we identified the right priority areas? Are any missing?**

2. **Which priority areas are most important to you?**

3. **Taking your highest priority areas, what activities do you want us to focus on?**

Priority area →	**Connections:**	**Customer service:**	**Network reliability:**
Activities ↓	– *speed of connection,* – *timeliness,* – *a range of connections options,* – *pre-application information (e.g. capacity),* – *full service online,* – *service/communication throughout the process*	– *types of contact,* – *quality of contact,* – *complaints management,* – *provision of information,* – *website,* – *social media,* – *accessibility of information*	– *number of interruptions,* – *the duration of power cuts,* – *'worst served' extremes,* – *power quality (dips/flicker)*

PRIORITY AREAS TO CONSIDER

A. Network reliability

- Day-to-day power cuts
- **Currently on average customers experience one power cut every two years for 26 minutes**
- Example activity areas to consider:
    - *the number of interruptions, the duration of power cuts, 'worst served' extremes, power quality (dips/flicker)*

B. Network resilience (to severe weather)

- Preventing power cuts in severe weather
- **In the last 12 months there were 10 exceptional events across our licences areas. 338,786 customers impacted**
- Example activity areas to consider:
    - *protecting the network (e.g. tree clearance, flood defence)*

C. Cyber resilience

- Defences against malicious cyber attacks. Significant increase in attacks and impact (e.g. Wannacry)
- **WPD is enhancing cyber defences**
- Example activity areas to consider:
    - *protecting network operations, protecting information about the network, protecting information about customers (e.g. smart meter data)*

PRIORITY AREAS TO CONSIDER

D. Build a smart network (DSO)

- Energy use, generation and storage is changing. We must facilitate a smarter energy system that can flexibly meet the changing needs of users
- **WPD has developed a DSO strategy and Active Network Management**
- Example activity areas to consider:
  - *managing changing power flows at a local level, managing distributed generation/storage, accommodating demand growth e.g. from electric vehicles, developing flexibility solutions/markets*

E. Innovation and new services

- Developing and testing new ways of working
- **WPD continues to have a comprehensive innovation programme**
- Example activity areas to consider:
  - *improving operational efficiency, developing whole energy system solutions, collaborative work, learning from others, deployment of benefits*

F. Whole systems approach

- Greater co-ordination across energy vectors (electricity, gas, fuel)
- **WPD is involved with ENA Open Networks project looking at whole electricity system coordination**
- Example activity areas to consider:
  - *whole electricity system coordination, whole regulated systems coordination, whole energy systems coordination, coordinated planning, operational processes, data management*

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PRIORITY AREAS TO CONSIDER

G. Electric vehicles

- Providing the network capacity for EV charging
- **In 2018 there were over 7,000 EV chargers on the WPD network. EVs predicted to grow from 28,000 to nearly 3 million by 2030**
- Example activity areas to consider:
  - *types of charging (slow/fast charging), locations of connecting to the distribution network, customer charging behaviour, managing network impact of clustering, large-scale charging stations*

H. Environment

- The impact of WPD's activity on the environment
- **WPD is making improvements during ED1 (e.g. beat business carbon footprint target by 13% in 2017/18)**
- Example activity areas to consider:
  - *business carbon footprint, vehicle emissions, harmful leaks from equipment (oil and SF_6 gas), network losses, undergrounding in areas of outstanding natural beauty*

I. Workforce resilience

- Having sufficient staff, with the right skills
- **WPD has a wide range of recruitment approaches from apprenticeships to specialist graduates**
- Example activity areas to consider:
  - *age demographics of existing workforce, increasing demand for technical skills, longer-term predictions, approaches to attracting the right staff, cross-company coordination, national training schools*

PRIORITY AREAS TO CONSIDER

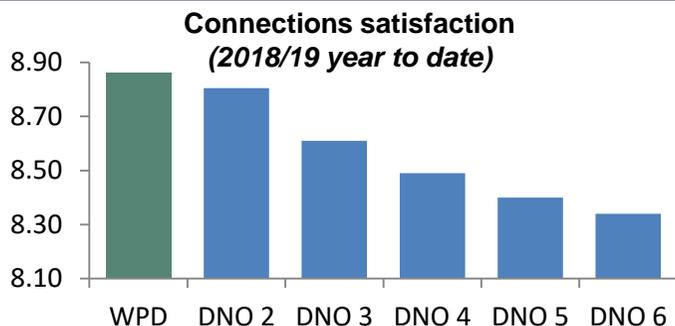## J. Vulnerable customers (to supply failure)

- Protecting and supporting those at greatest risk during power cuts,
- **We currently hold a Priority Service Register of 1.7 million customers. In 2017/18 we contacted 955,664 to provide advice and support**
- Example activity areas to consider:
  - *electrical medical dependencies, the elderly and disabled, those in temporary vulnerable situations (e.g. recent hospital discharge or new born baby), additional services, different means of communicating*

K. Affordability

- We must deliver value for money at a fair and reasonable cost
- **WPD is delivering £7.1bn of Investment for 27p per day**
- Example activity areas to consider:
  - *cost pressures for increases to bills, acting in the long-term public interest, delivering a transformation of the electricity system, customers appetite for bills to increase, vulnerable customers*

L. Connections

Connections satisfaction
(2018/19 year to date)

Bar chart with y-axis from 8.10 to 8.90:
- WPD: ~8.86
- DNO 2: ~8.81
- DNO 3: ~8.62
- DNO 4: ~8.49
- DNO 5: ~8.40
- DNO 6: ~8.34

- Connecting new homes/businesses/generation to the network
- **WPD per year: 50,000+ quotes and 20,000+ connections**
- Example activity areas to consider:
  - *speed of connection, timeliness, a range of connections options; pre-application information (e.g. capacity); full service online; service/communication throughout the process*
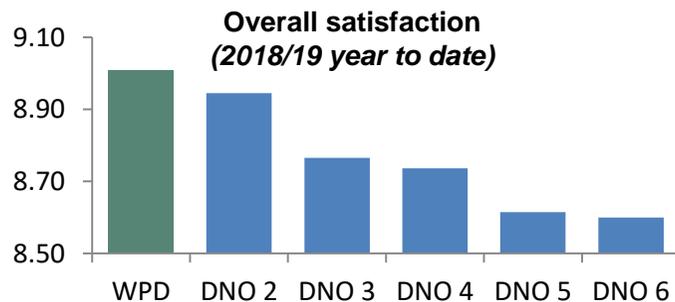
PRIORITY AREAS TO CONSIDER

M. Fuel poverty

- Helping those in fuel poverty
- **In 2017/18 WPD supported 15,229 fuel poor customers to directly save £5.4 million a year**
- Example activity areas to consider:
  - *using PSR contacts to identify those in fuel poverty, establishing partnership support networks, funding of assistance schemes, outreach work, links to health and local authority services*

N. Customer service

Overall satisfaction
(2018/19 year to date)

- How we deal with customers
- **Number one DNO in Ofgem's measure for seven consecutive years**
- Areas to consider:
  - *types of contact, quality of contact, complaints management, provision of information, website, social media, accessibility of information*

TABLE DISCUSSION

1. **Have we identified the right priority areas? Are any missing?**

2. **Which priority areas are most important to you?**

3. **Taking your highest priority areas, what activities do you want us to focus on?**

Priority area →

Activities ↓

Connections:
- *speed of connection,*
- *timeliness,*
- *a range of connections options;*
- *pre-application information (e.g. capacity);*
- *full service online;*
- *service/communication throughout the process*

Customer service:
- *types of contact,*
- *quality of contact,*
- *complaints management,*
- *provision of information,*
- *website,*
- *social media,*
- *accessibility of information*

Network reliability:
- *number of interruptions,*
- *the duration of power cuts,*
- *'worst served' extremes,*
- *power quality (dips/flicker)*

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On a scale of 1-10 how important is the following priority area to you (for WPD to address)?

1 ———————————————————————— **10**

Not at all   **Extremely**

A. Network reliability

B. Network resilience (to weather extremes)

C. Cyber resilience

D. Build a smart network (DSO)

E. Innovation and new services

F. Whole systems approach

G. Electric vehicles

H. Environment

I. Workforce resilience

J. Vulnerable customers

K. Affordability

L. Connections

M. Fuel poverty

N. Customer service

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COFFEE BREAK

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Session 4:

Being a responsible business: Building a social contract

Alison Sleightholm - Resources & External Affairs Director
Alex Wilkes – Stakeholder Engagement Manager

OUR PURPOSE

WPD provide a vital public service

- We are a regional monopoly that keeps the lights on for 7.9 million customers (and a population over 20 million) in our regions

- As sessions like today demonstrate, we work extensively with customers and stakeholders to define our role and to identify their expectations of us

Building trust

- It is right that we consider: **Is our purpose (to serve customers and wider society) strong enough for us to be trusted to continue fulfilling this role?**

- This doesn't just mean delivering great customer service – that's a basic expectation

    - We are accountable for contributing to wider societal wellbeing (including delivering environmental and economic benefits)

    - Its not just *what* we deliver that matters, but *how* we deliver it

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ELECTRONIC VOTE 5:
BEFORE WE START – WHO DO YOU TRUST?
Rate the following organisations in order of those you trust, from most to least *(drag & drop into place):*

Most

Least

A. Your local authority

B. Your energy supplier (who you pay your bills to)

C. Western Power Distribution

D. John Lewis

E. NHS

F. RyanAir

G. Rail companies

H. Amazon

I. Your water company

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?

ELECTRONIC VOTE 6:

On a scale of 1-10, how much do you trust WPD?

1

Not at all

10

Extremely highly

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A FEW OF WPD's PRINCIPLES

Our interest today – how does WPD get to the top of that trust list?

- Customers are at the heart of our business:

- Customers pay for everything we do and have a right to influence all aspects of our service

- Our Business Plan is built with stakeholders from the ground up
  - For RIIO-ED2 we intend to publish and consult on two separate drafts of our Business Plan
  - A third and final version will then be submitted to Ofgem

- In RIIO-ED1 we made commitments that were more stretching than targets proposed by Ofgem because it's what our stakeholders wanted

FIRST TIME, EVERY TIME

- Take personal responsibility
- Follow the problem through until the end
- Work with others to find a solution
- Keep the customer informed
- Follow the Golden Rule - treat customers the way you would like to be treated

We will be recognised by the actions of our people

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WHAT IS A SOCIAL CONTRACT?

A framework for the delivery of our purpose, in a way that enables our customers and stakeholders to hold us to account

- This hinges on building legitimacy and trust

- Includes voluntary commitments
  - Going beyond the basic requirements of regulation, legislation and traditional corporate social responsibility

- We have heard the message that it is no longer enough just to provide a reliable supply at a reasonable price:
  - Customers are taking an ever greater interest in where their money is going
  - They care about payments to shareholders and tax affairs
  - They also want the company to contribute to society and protect the environment

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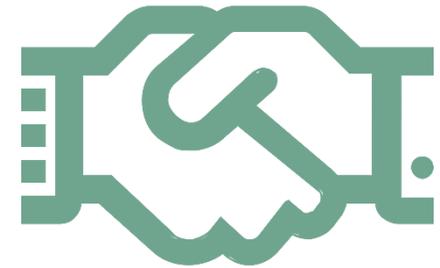
WHAT IS A SOCIAL CONTRACT?

- We believe customers want from their utility providers:

Good service (at a fair price)

Getting the basics right (with ongoing feedback from customers)

Excellent corporate behaviours (and governance)

Sustainability and climate change challenges met

Links into (and an understanding of) the community it serves

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HOW DO WE ENSURE THE BUSINESS PLAN IS A FAIR ONE AND WPD OPERATES AS A GOOD CITIZEN?

- In order to give customers a stronger voice within RIIO-ED2, Ofgem has set out its requirements for 'Enhanced Engagement'

- **WPD must create an independent challenge body called a Customer Engagement Group (CEG)**

  – Formed of customer and stakeholder representatives
  – Engages directly with senior management and the Board
  – It will sit above WPD's wider engagement programme (including these workshops and our existing Customer Collaboration Panel)

- Ofgem has established a RIIO-2 Consumer Challenge Group

- Independent reports are required from both new groups

- Open hearings will be held with companies

CUSTOMER ENGAGEMENT GROUP

- **Independence:** 12-14 independent members, Chair & Secretariat. 4-6 meetings a year
- **Expertise:** Wide ranging from customer representation, regional issues and vulnerability, through to future energy systems, low carbon technologies and resilience
- **Full transparency:** everything will be published online
- **Remit:**

Customer Engagement Group

will scrutinise and challenge WPD's Business Plan and the processes by which it was built. Covering:

Overall priorities	Cost efficiency & service quality	Future energy scenarios
Approach to sustainability & resilience	Quality of stakeholder engagement	Alternative investment options considered
Approach to energy system transition	Support for vulnerable customers	Approach to manage uncertainty
Proposed outputs & expenditure	Approach to innovation	Issues unique to local regions

Out of scope:

Financing (cost of capital, debt, gearing, etc.)

- **QUESTION: Is there a role for the CEG in overseeing WPD's ongoing social contract and the programme of activities it leads to?**

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WHAT SHOULD WPD's SOCIAL CONTRACT CONTAIN?

- A few examples include, commitments to deliver:

Industry leading performance	Positive outcomes for customers in vulnerable situations	Community and environmental benefits
Fair prices and returns/profits	Local community investment	A framework for engaging local communities
Clarity on tax affairs and dividend payments to shareholders	Responsible and transparent Board governance arrangements	Transparent mechanisms so customers & stakeholders can influence decisions
Excellent environmental performance	Inclusion of methods for measuring the social impact of activities	Innovation to meet societal challenges (not just regulatory / technological ones)

Consequences if we fail to deliver on our social contract?

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HOW SHOULD WPD PRESENT ITS SOCIAL CONTRACT?

Do you think the social contract should be:

A. The Business Plan as a whole – every commitment and output should be seen in this light

B. A section contained within the Business Plan
   – A set of commitments and ways of working that are additional to Ofgem's 3 output types?

Meet the needs of consumers and network users			Maintain a safe and resilient network			Deliver an environmentally sustainable network		
Licence Obligations	Price Control Deliverable	Output Delivery Incentive	Licence Obligations	Price Control Deliverable	Output Delivery Incentive	Licence Obligations	Price Control Deliverable	Output Delivery Incentive
Wider commitments			**Wider commitments**			**Wider commitments**		

C. A separate, standalone document. For example, the Business Plan is _what_ we commit to deliver; the social contract is _how_ we will deliver it?

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QUESTION: HOW SHOULD WPD DEMONSTRATE IT IS DELIVERING IT?

- Scrutinised and reported on by WPD's Customer Engagement Group?

- External accreditations – e.g. the Fair Tax Mark?

- External audits?

- Annual WPD reporting of performance against commitments?

- Benchmarking - e.g. UK customer satisfaction index?

- Customer research – are we delivering social value? What have the impacts of our actions been?

- Stakeholder (regional) feedback and surveys?

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TABLE DISCUSSION

1. **What should WPD's social contract contain?**

2. **How should WPD present its social contract?**

3. **How should WPD demonstrate it is delivering it?**

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? ELECTRONIC VOTE 7:

How should WPD present its social contract?
(select <u>one</u> option)

1. The Business Plan as a whole is the social contract

2. The social contract is a separate section within the Business Plan

3. The social contract is a separate, standalone document

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ELECTRONIC VOTE 8:

How should WPD demonstrate it is delivering its social contract? *(in any order, select your <u>top three</u>)*

1. Scrutinised and reported on by WPD's Customer Engagement Group

2. External accreditations – e.g. the Fair Tax Mark

3. External audits

4. Annual WPD reporting of performance against commitments

5. Benchmarking - e.g. UK customer satisfaction index

6. Customer research

7. Stakeholder (regional) feedback and surveys

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Session 5:
Smart future and new possibilities

Nigel Turvey - Network Strategy and Innovation Manager
Paul Jewell – Policy Manager
Ben Godfrey – Network Strategy Team Manager
Roger Hey - Future Networks Manager

HIGH PERFORMING DNO

- **DNOs have a long track record of using innovation to be more efficient**
- **We will build on this as we take on additional roles within the energy system**

DNO

1 KEEP THE LIGHTS ON BY OPERATING OUR NETWORK ASSETS EFFECTIVELY

2 MAINTAIN EQUIPMENT SO THAT THE NETWORK IS IN A CONDITION TO REMAIN RELIABLE

3 FIX THE NETWORK IF EQUIPMENT GETS DAMAGED OR IS FAULTY

4 CONNECT CUSTOMERS BY UPGRADING EXISTING NETWORKS OR BUILDING NEW ONES

DSO

5 PROMOTE INNOVATION, FLEXIBILITY AND NON-NETWORK SOLUTIONS

6 FACILITATE NEUTRAL MARKETS FOR MORE EFFICIENT WHOLE SYSTEM OUTCOMES

7 IMPROVE THE RESILIENCE AND SECURITY OF THE ELECTRICITY SYSTEM AT A LOCAL LEVEL

8 DRIVE COMPETITION AND EFFICIENCY ACROSS ALL ASPECTS OF THE SYSTEM

DSO STRATEGY

We have published our DSO Strategy

- It outlined our four key focus areas for DSO implementation and our plan to achieve them

- We highlighted key enablers in monitoring, control & automation, communications and data systems to enable us to be a high performing DSO

EHV OPTIMISE INVESTMENT IN HIGHER VOLTAGE NETWORKS	CONTRACT WITH CUSTOMERS FOR NON-NETWORK SOLUTIONS	CO-ORDINATE AT TRANSMISSION/ DISTRIBUTION INTERFACE	**LV** PROTECT THE INTEGRITY & SAFETY OF LOWER VOLTAGE NETWORKS
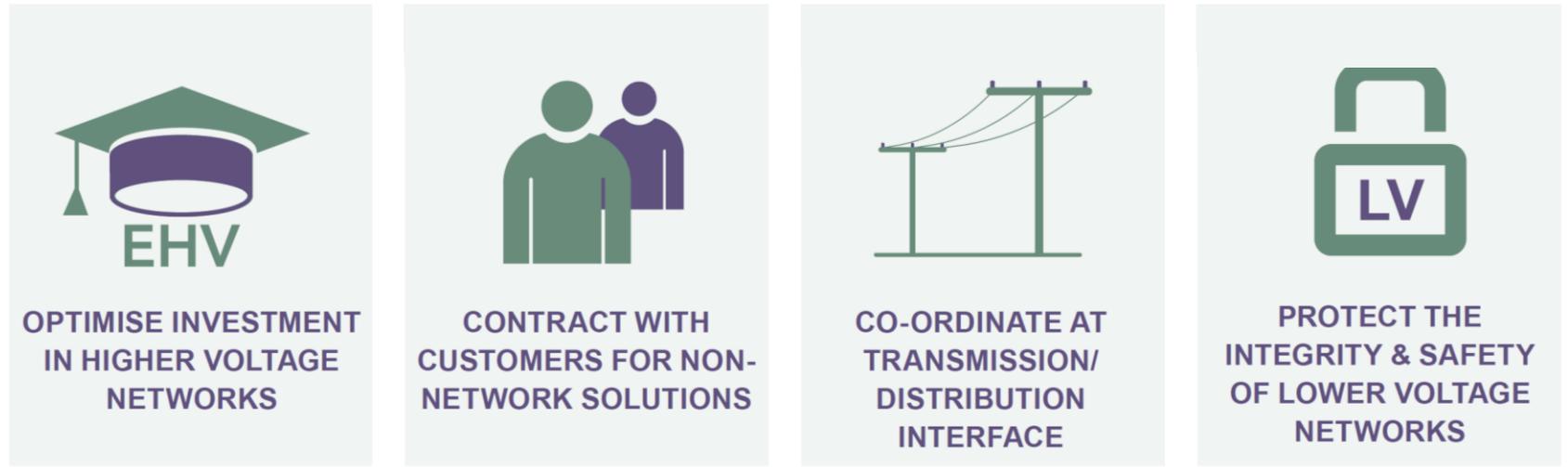
- We consulted on this approach and updated our plan based on feedback

- **We are the only DNO to have provided a costed DSO implementation plan**

www.westernpower.co.uk/our-network/strategic-network-investment/dso-strategy

DSO FORWARD PLAN HIGHLIGHTS

	Looking Backwards			Looking Forwards		
Neutral Supply Market Facilitation	Published data on 32 zone[s]	Signposting	Data on Signposting publically available for download	Commitment to publish more data on system needs	Working with stakeholders to further develop market information	Development of a Flexibility Register for those offering services
Enabling Decarbonisation	Suite of four different Alternative Connection types developed	Alternative Connections rolled out as business as usual	Connection of 9.5GW of distribution connected generation	Strategic Investment Options developed for future generation scenarios	Active Network Management available in all areas by 2021	Roll out of flexibility will enable additional connection options
Enhancing Security of Supply	Consistent improvement in reduction of network unavailability	Widescale deployment of automation	Industry learning gained on resilience through Regional Development [...]	Ongoing ED1 commitment to reduce customer minutes lost and number of customer interruptions	Development of RESTORE flexibility product	Our Control Room will be able to dispatch distributed energy resources to help support the network
Flexibility Services	Flexible Power brand procuring flexibility services under business [...]	Flexible Power produc[t] published	Flexibility	ENTIRE project proving benefits of flexibility	Flexible seeking further summer and winter flexibility services in 2019	Openly testing the market to compare flexibility against conventional reinforcement
Electric Vehicle Readiness	Electric Vehicles	Our innovative EV trial, Electric Nation successfully installed 673 domestic smart charger[s]	We have exhibited at the low carbon vehicle and energy infrastructure [...] EV since 2018	Results from Electric Nation on smart charging behaviour	Building on learning from Electric Nation on using EV flexibility to defer reinforcement	Continued selective uprating of assets in LCT hotspots
Enabling Economic Growth	Strategic Investment Options reports published for all four license areas	Stakeholder engageme[nt] completed in all region[s]	Distribution Future Energy Scenarios	Refresh DFES and Strategic Investment Options reports on a two year cycle	Engagement with Government on Local Energy Strategies	Continue to share forecast data with local and regional Government and other stakeholders
Whole System Planning	Installation of FREEDOM test sites	Completion of WPD & NG Regional Development Programme for South West	Development of industry under ENA's Open Networks	Collaborative Strategic Investment Options reports with other DNOs	Joint SO and DSO articles published under WPD DSOF	Implementation of RDP recommendations, including enabling Deep Connect & Manage for customers
Communities and Localism	Wide range of innovation projects centred around local communities	Community energy events held in major locations within WPD area	DNO to DSO community consultation published	Continued engagement with local communities enabling them to participate in future energy markets	Outputs and actions from the DNO to DSO community consultation	Additional commercial opportunities for customers connected at LV

SCENARIO BASED FORECASTING

Since 2016, WPD has been using scenario based forecasting to build a regional picture of demand, generation and storage uptake

We have built a bottom-up understanding of demand, generation and storage growth out to 2032 across 260 individual zones within our region and share this information.

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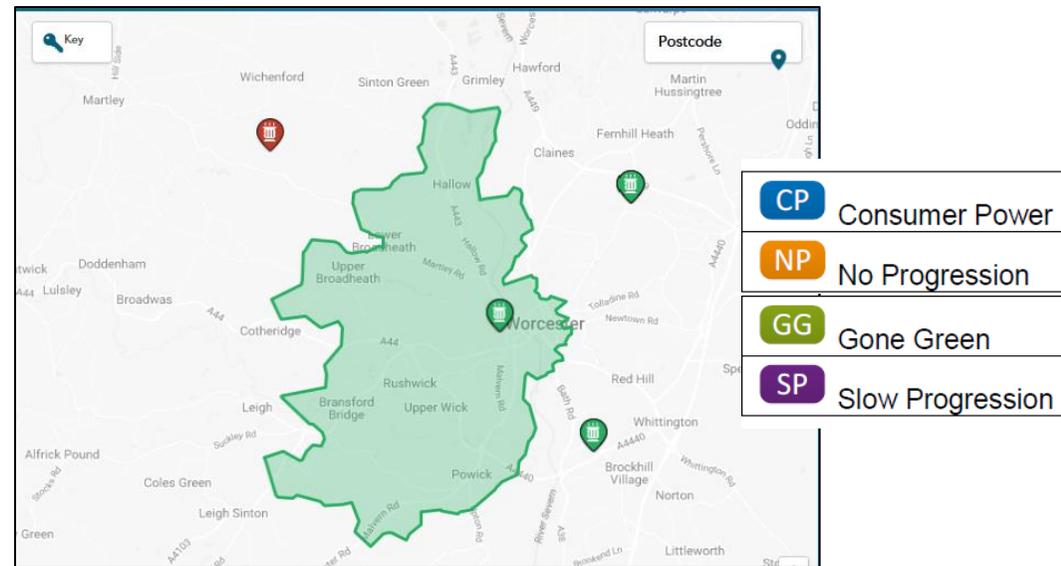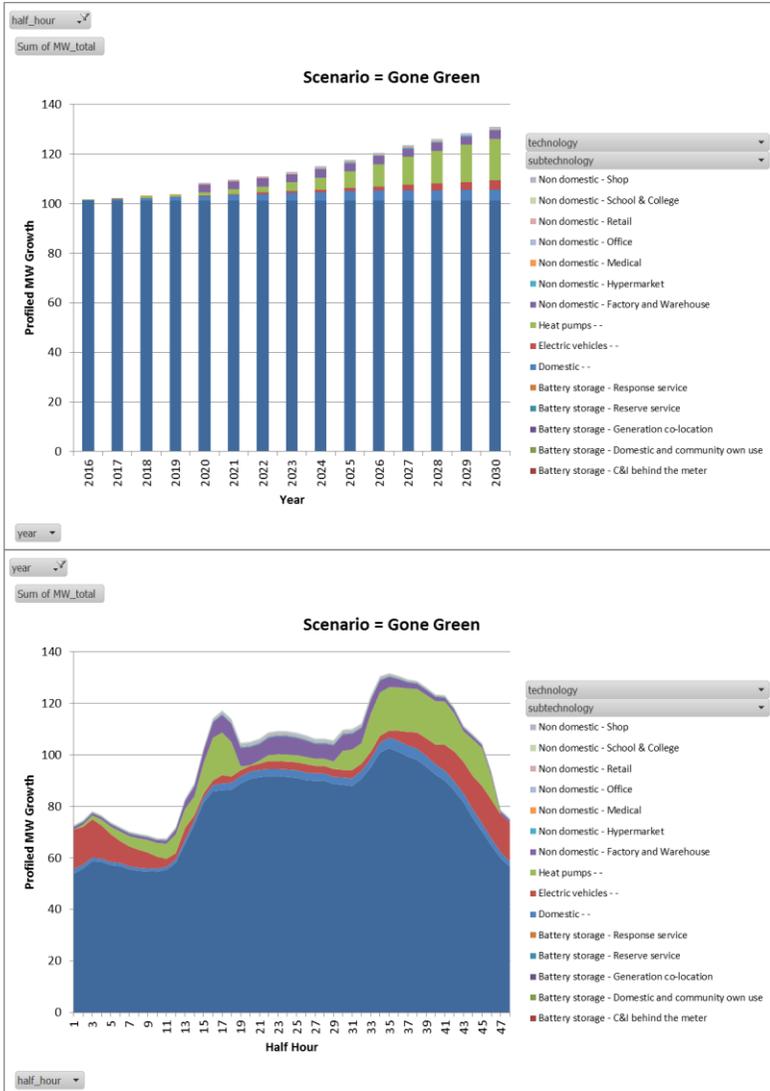
WHAT DOES FLEXIBILITY LOOK LIKE?

Generation turn up or turn down

Demand turn up or turn down

Shifting consumption forwards and backwards

Storing energy for later consumption

FLEXIBILITY FIRST

WPD has always used the flexibility inherent in its networks to provide an economic and secure supply ahead of undertaking conventional reinforcement

- We are now expanding this to include market-provided flexibility and will seek this in the areas triggering load related reinforcement within ED1

126	Primary substations with flexibility needs
1.3 GWh	Energy sought from flexibility in 2018
18	Flexibility zones tendered in 2018
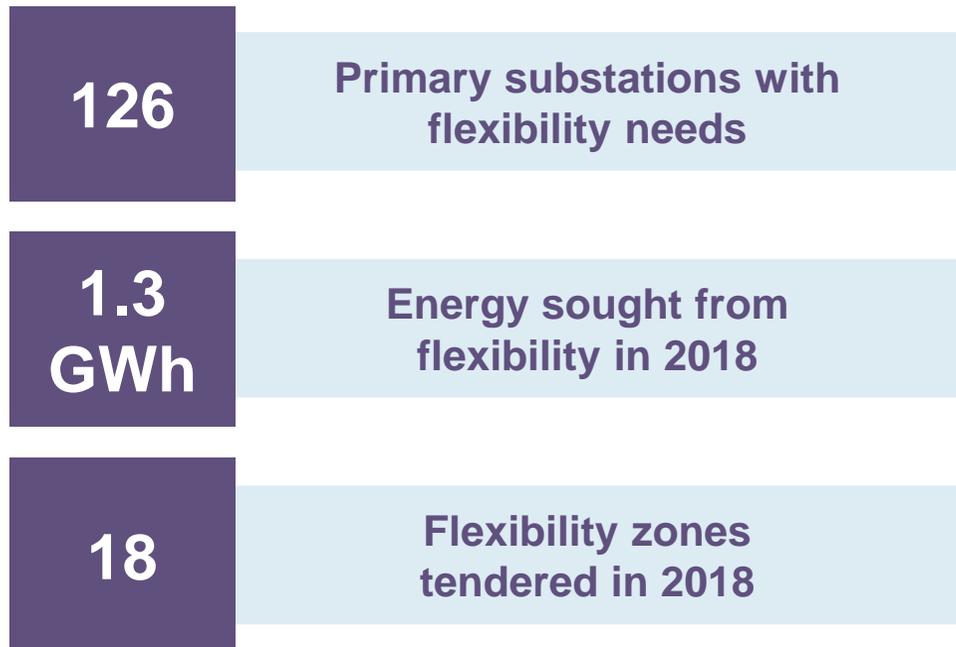
Throughout the rest of ED1 we will assess 90% of our load related reinforcement investment for a more economic delivery by flexiblity services.
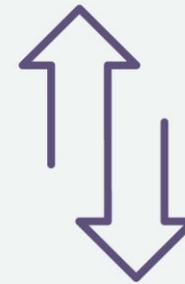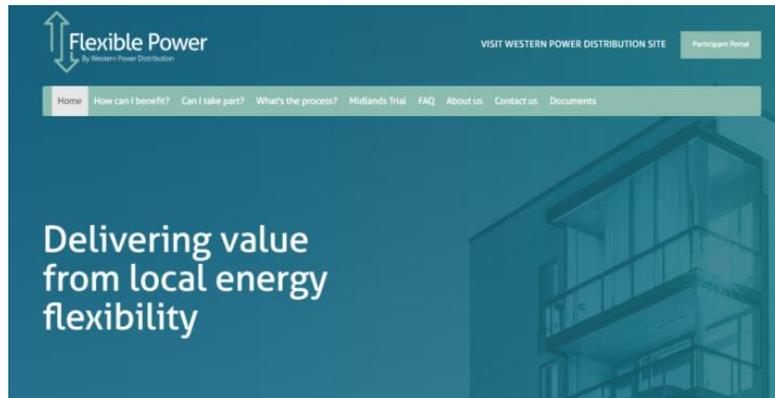
90%

LRR investment asessed against Flexibility

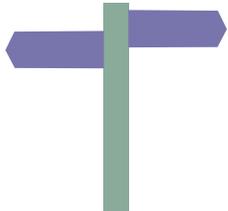For the remaining 10%, which is predominately at LV, we will continue to develop, test and evaluate other markets.

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2019 – A YEAR FOR FLEXIBILITY

In 2019, we are seeking flexibility across 79 primary substations, requiring up to 60MW and 1900MWh

▪ **This may defer up to £40m of load related reinforcement**

Signposting	Pre Qualification Questions	Procure	Integrate/Test	Operate
Early February 2019	February 2019	March to May 2019	May 2019	June 2019 to May 2021

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FLEXIBILITY – LEARNING BY DOING

After agreeing the principles of approach with Ofgem, we will begin using flexibility to provide quicker and more efficient options for new connections. This approach will be piloted in Lincoln to develop new commercial arrangements.

Flexibility can provide alternatives to reinforcement and benefits to the whole electricity system

| Generators seeking connections	Demand seeking connections	Storage seeking connections	Flexibility providers seeking a revenue

Flexibility can be shared across the transmission boundary to access National Markets

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SIGNPOSTING

To inform flexibility markets of our requirements both now and into the future, we have committed to publishing "signposting" information which describes the constraints triggering any significant load related reinforcement

- This year, we have published signposting on £60m of load related reinforcement
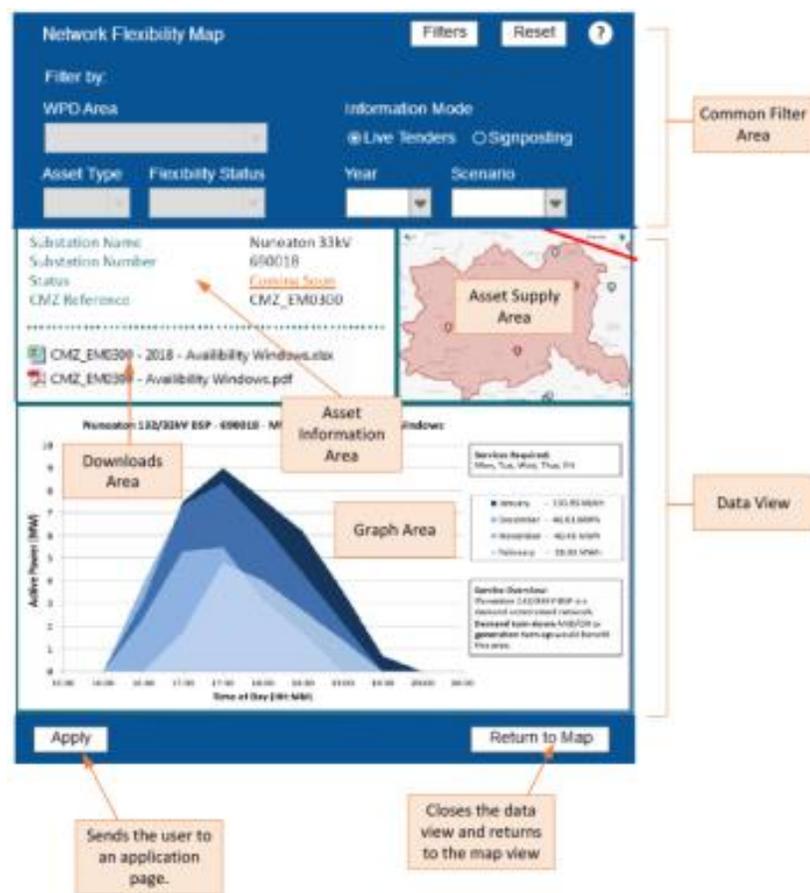
Using a similar functionality to our network capacity map, our network flexibility map is publicly available on our website:

www.westernpower.co.uk/signposting

This displays information on:

- Geographic supply area
- MW peak and length for availability
- Estimated MWh utilisation
- Months/days/hours applicable
- Raw data downloads
- Four Industry-aligned future energy scenarios
- 5 year window

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ELECTRIC VEHICLE (EV) READINESS

The UK has made a major commitment to decarbonise transport in the UK and electric vehicles are predicted to play a large part in reducing emissions

	SOUTH WEST	SOUTH WALES	WEST MIDLANDS	EAST MIDLANDS
Now	7,000	2,500	12,000	7,000
2030	815,000	255,000	995,000	785,000

- To help enable the adoption of electric vehicles, WPD is committed to the following:

Identify and proactively mitigate EV related network constraints	Ensure our network remains high performance and safe during the uptake of EVs	Develop an innovation programme that accelerates the adoption of EVs

- Recent WPD engagement revealed that only 11% of local authorities in our region are at the implementation stage of rolling out EV charging infrastructure

- **Understanding likely consumer behaviour is therefore very important – hence our questions to you today**

BUILDING A NETWORK THAT SUPPORTS EVs

We need to understand how customers will want to use the network to charge their EVs. For example, will customers care about:

- Easy access to charge points when away from home (located across the network)

- The speed of charging when away from home

- Cost of charging when away from home

- Easy process to install a charge point at home

- The speed of charging at home

- Knowing there's enough capacity in the network for charging in the future (e.g. install bigger cables in areas where we anticipate high take-up)

- **Understanding likely consumer behaviour is therefore very important – hence our questions to you today**

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ELECTRIFICATION OF HEAT

Another factor for WPD to consider is the decarbonisation of heat. Bringing an expected shift from gas or solid fuel heating systems towards electricity based heating systems

- In likelihood this will focus on heat pumps - a heating device which harvests some heat energy from the environment
    - It would maintain a background level of heat in a house using this energy but would top it up with electricity from our network
    - When the weather is very cold this will add demand to our network

- Currently we are forecasting:

	SOUTH WEST	SOUTH WALES	WEST MIDLANDS	EAST MIDLANDS
Now	8,500	2,500	4,100	6,000
2030	120,000	78,000	62,000	78,000

- We expect new homes will transition to heat pumps first

- Existing properties will consider a change when existing boiler/heating systems needs replacing

- **Understanding likely consumer behaviour is therefore very important – hence our questions to you today**

TABLE DISCUSSION

1. How would you like WPD to report progress against the transition to DSO?

As a domestic customer:

2a. How likely are you to participate in flexible services?

3a. What factors are important to you when it comes to charging your own (future) EV?

4. Do you expect to replace your boiler, or supplement it, with an electric renewable heating system in the near future?

From a work/business perspective:

2a. How likely are you to participate in flexible services?
   - *What incentives would help increase your participation?*

3b. How likely is your company to move to electric vehicles in the next five years?

ELECTRONIC VOTE 9:

On a scale of 1 to 10, as a <u>domestic customer</u>, how likely are you to be flexible in terms of your energy use / generation in return for a financial saving?

1 — **10**

Not likely at all

Extremely likely

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ELECTRONIC VOTE 10:

On a scale of 1 to 10, how likely is <u>your organisation</u> to be flexible in terms of your energy use / generation in return for a financial saving?

1 — Not likely at all

10 — Extremely likely

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ELECTRONIC VOTE 11:

As a domestic customer, what proportion of WPD's annual £98 a year charges would you expect to save to make it worth your while to provide this flexibility? *(select <u>one</u> option)*

1. £0-£5

2. £5-10

3. £10-£20

4. £20-30

5. £30-£40

6. £40+

7. No amount is enough

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ELECTRONIC VOTE 12:

As a domestic customer, how likely are you to replace your boiler with an electric renewable energy heating system (such as a heat pump)? *(select <u>one</u> option)*

1. Already own one

2. Likely in the next 5 years

3. Likely in the next 5-10 years

4. Likely in over 10 years time

5. Never/highly unlikely

As a domestic customer, how likely are you to purchase an electric vehicle?

(select <u>one</u> option)

1. Already own one

2. Likely in the next 5 years

3. Likely in the next 5-10 years

4. Likely in over 10 years time

5. Never/highly unlikely

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ELECTRONIC VOTE 14:

How likely is <u>your organisation</u> to switch to electric vehicles? *(select <u>one</u> option)*

1. Already underway

2. Likely in the next 5 years

3. Likely in the next 5-10 years

4. Likely in over 10 years time

5. Never/highly unlikely

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ELECTRONIC VOTE 15:

Which of these network-related factors would make it more likely for you to have an electric vehicle?

(drag & drop into place)

1. Easy access to charge points when away from home (located across the network)

2. The speed of charging when away from home

3. Cost of charging when away from home

4. Easy process to install a charge point at home

5. The speed of charging at home

6. Knowing there's enough capacity in the network for charging in the future (e.g. install bigger cables in areas where we anticipate high take-up)

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LUNCH

THIS AFTERNOON

A choice of four sessions:

Table one	Table two
CONNECTIONS **(ICE workplan & strategy)**	**ELECTRIC VEHICLES &** **WIDER INNOVATION**

Table three	Table four
NETWORK CHARGING	**CONSUMER VULNERABILITY** **(incl. fuel poverty)**

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INFORMATION FOR STAKEHOLDERS

Thank you for attending

- Slides and feedback will be posted on the website www.westernpower.co.uk

- We would appreciate feedback on any of the areas discussed today. Please contact:

  Alex Wilkes, Stakeholder Engagement Manager
  - ✉ email: awilkes@westernpower.co.uk
  - ☎ phone: 01332 827647

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