Stakeholder engagement workshops

January/February 2018

WELCOME

Today's format:

- A quick overview of WPD

- Three morning sessions, including an independent workshop by Citizens Advice

- Each following a consistent format:

    Presentation ➜ Round-table discussion ➜ Electronic voting

- Choice of 3 afternoon surgeries – on detailed topics

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Introducing WPD

Alex Wilkes
Stakeholder & Social Obligations Manager

HOUSEKEEPING

WESTERN POWER DISTRIBUTION
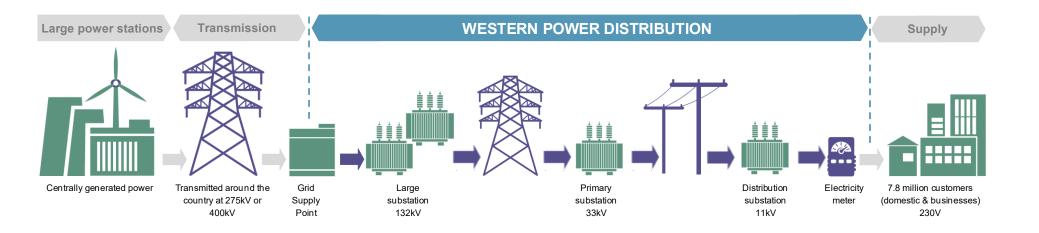*Serving the Midlands, South West and Wales*
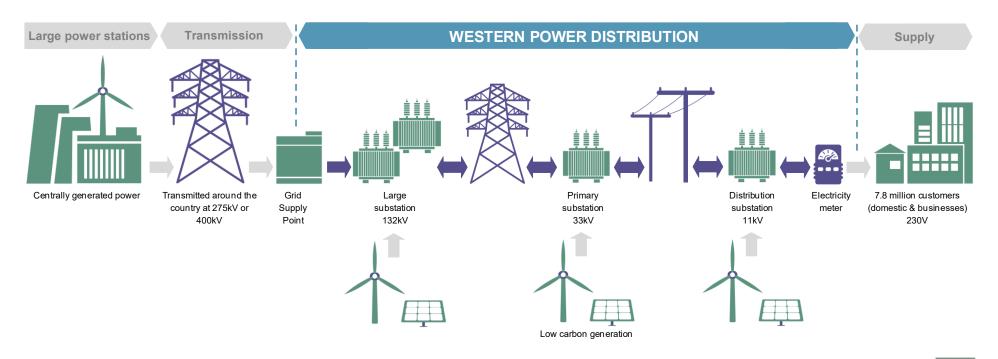
WHO WE ARE – OUR TRADITIONAL ROLE

- A Distribution Network Operator (DNO) traditionally provides a passive network sized to support times of maximum demand and/or maximum generation output

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 · 7.8 million customers (domestic & businesses) 230V

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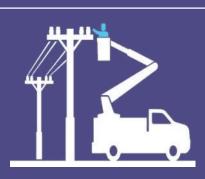
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WHO WE ARE – OUR ROLE TODAY

- The way energy is generated, used and transported is changing significantly

- Big increases in distributed generation connecting directly to the distribution network (e.g. solar PV, electric vehicles, heat pumps, and electricity storage)

- Variation in the way the energy system is changing across the country

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 — 7.8 million customers (domestic & businesses) 230V

Low carbon generation

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WHAT WE DO

- "DNO" = Distribution Network Operator

- Four traditional tasks:

Keep the lights on

by operating our network assets effectively

Maintain equipment

so that the network is in a condition to remain reliable

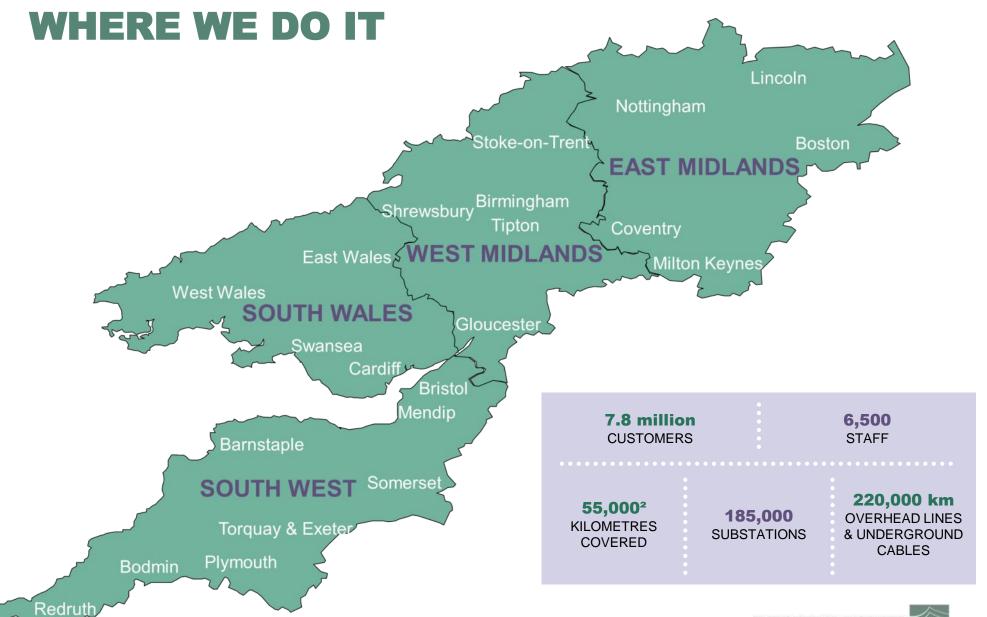**Fix the network**

if equipment gets damaged or is faulty

Connect customers

by upgrading existing networks or building new ones

Safety

WHERE WE DO IT

Map of the Western Power Distribution service area, showing regions: EAST MIDLANDS (Lincoln, Nottingham, Stoke-on-Trent, Boston), WEST MIDLANDS (Shrewsbury, Birmingham, Tipton, East Wales, Coventry, Milton Keynes), SOUTH WALES (West Wales, Swansea, Cardiff, Gloucester), SOUTH WEST (Bristol, Mendip, Barnstaple, Somerset, Torquay & Exeter, Bodmin, Plymouth, Redruth)

7.8 million CUSTOMERS		6,500 STAFF
55,000^2 KILOMETRES COVERED	185,000 SUBSTATIONS	220,000 km OVERHEAD LINES & UNDERGROUND CABLES

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ELECTRONIC VOTE A:

Next year how much will the average WPD domestic customer pay for the distribution of their electricity?

1   £47

2   £97

3   £147

4   £197

5   £247

- Around 16% of an average electricity bill

- WPD's charges have decreased by 11.6% since 2014/15 and are forecast to be broadly flat until 2023

- WPD's charges have decreased by 43% in real terms since privatisation

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On average WPD's customers lose supply once every two years. How long for?

1   29 minutes

2   59 minutes

3   1 hour 29 minutes

4   1 hour 59 minutes

5   2 hours 29 minutes

ELECTRONIC VOTE B:

On average WPD's customers lose supply once every two years. How long for?

1   29 minutes
    0%

2   59 minutes
    0%

3   1 hour 29 minutes
    0%

4   1 hour 59 minutes
    0%

5   2 hours 29 minutes
    0%

In the last 15 years:

- Power cuts have fallen by 39% in WPD's regions

- The average time customers are off supply has improved by 63%

- On current average, 89% of WPD's customers are restored within 60 minutes when affected by a fault on the high voltage network

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ELECTRONIC VOTE C:

Rank the following companies from first to last for customer satisfaction

1	John Lewis

2	Amazon

3	First Direct

4	Western Power Distribution

5	Waitrose

Sources:
- Institute of Customer Service's 'UK Customer Satisfaction Index' July 2017
- WPD's 2016/17 performance in Ofgem's Broad Measure of Customer satisfaction. 22,000 customers surveyed in relation to power cuts, connections and general enquiries

ELECTRONIC VOTE C:

Rank the following companies from first to last for customer satisfaction

1. Western Power Distribution – 89.1%

2. Amazon – 87.0%

3. First Direct – 85.8%

4. John Lewis – 85.4%

5. Waitrose – 84.1%

Sources:
- Institute of Customer Service's 'UK Customer Satisfaction Index' July 2017
- WPD's 2016/17 performance in Ofgem's Broad Measure of Customer satisfaction. 22,000 customers surveyed in relation to power cuts, connections and general enquiries

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ELECTRONIC VOTE D:

WPD's network was traditionally designed for 14GW of demand ⬇. We have already re-engineered it to accept a considerable amount of embedded generation ⬆. How much extra capacity have we created ?

1   0.5GW(~250,000 homes)

2   1GW(~500,000 homes)

3   1.5GW(~750,000 homes)

4   2GW(~1 million homes)

5   2.5GW(~1.25 million homes)

WHY ENGAGING WITH YOU IS SO IMPORTANT

We want to be the best and continually improve

- Customers pay for us to provide an essential service. It's right that you should influence everything we do

- Planning for the future can be uncertain – your insights and priorities are critical

We promise to take action as a result of your feedback

- Each session has a clear objective – we will give you options to discuss and vote on

- We will publish a feedback summary report and a list of actions

- Last year's workshops led directly to 39 actions

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ACTIONS WE TOOK FOLLOWING LAST YEAR'S EVENTS

In total your feedback led to 39 outputs. For example:

Business Plan reporting	▪ Summary report = group level data; Detailed report = break down by WPD's four licences ▪ Achieve "Crystal Mark" for use of plain English
Outputs: *Smart networks*	▪ Distribution System Operator transition strategy & stakeholder consultation published ▪ Active Network Management (ANM) to be available across entire network by 2021 ▪ Resubmitted smart meter data privacy plan to Ofgem - enhanced data sharing safeguards ▪ Publicised data privacy plan to all 7.8m customers
Outputs: *Connections*	▪ Re-ran strategic investment workshop to focus on impact for demand customers ▪ Introduced Key Account Managers for customers with multiple connections applications ▪ Launched average connection cost calculator to give ballpark costs and timescales
Outputs: *Resilience*	▪ New policy to open ramp-up call centres longer in storms, enabling main centres to solely provide outbound updates (first priority to vulnerable customers) ▪ New £10,000 fund launched to assist LRFs to promote business continuity planning
Outputs: *Social obligations*	▪ Fuel poverty outreach programme expanded to support >10,000 customers a year ▪ New data removal process for out-of-date Priority Service Register records – 300,000+ removed

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TODAY'S AGENDA

Objectives – To seek views on:

Session 1:
WPD's current RIIO-ED1 performance (2015-2023)

- Our current performance
- Are the output areas still appropriate?
- What is changing and will this require new outputs in the future?

Session 2:
Looking ahead to RIIO-ED2 (2023+)

WPD session:
- What areas are stakeholders able to influence?
- What outcomes would you like us to achieve?

Citizens Advice session:
- The most effective engagement mechanisms for business planning

Session 3:
Transitioning from a Distribution *Network* Operator to a Distribution *System* Operator
- What does this mean for customers, in particular the vulnerable?

- WPD's updated DSO transition plan
- Key impacts/opportunities for different customer groups
- Opportunities to better support vulnerable customers

4. **Choice of specific surgeries:**
- *Vulnerable customers & fuel poverty*
- *Connections*
- *Losses & innovation*

- Consult on priorities and current action plans in each area

Introducing EQ Communications

ELECTRONIC VOTE E:

What type of stakeholder are you?

1 Domestic customer/consumer interest body

2 Business customer (or representative)

3 Local authority officer / elected representative

4 Developer / connections representative

5 Environmental representative

6 Energy / utility company

7 Charity / non-profit organisation

8 Academic / education institute

9 Housing / development

10 Other

Session 1:
WPD's Current RIIO-ED1 Performance

Eleanor Sturges
Planning & Regulation Special Projects

2016/17 PERFORMANCE

Ofgem's current regulatory framework, RIIO-ED1, covers 2015 to 2023

- The RIIO model is: Revenue = Incentives, Innovation and Outputs

- We are investing £7.1 billion in core distribution activities. E.g:
    - *£2.4bn capital investment such as replacing and refurbishing assets*
    - *£1.5bn inspections, repair and maintenance, power cut response, tree cutting etc*
    - *£0.5bn providing extra network capacity*

We will deliver 76 outputs by 2023 in 6 key areas:

SAFETY	ENVIRONMENT	CUSTOMER
RELIABILITY	CONNECTIONS	SOCIAL OBLIGATIONS

After Year Two we achieved and/or are significantly on track in 75 of our 76 outputs:

Achieved or on track	75
Output under review	1
Not met yearly output	0

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2017/18 performance to date
SAFETY

For example:

Reduce the frequency of staff accidents by 10%

Run educational sessions to provide safety information to over 400,000 school children

Overall Accident Rate per 100 staff - WPD Company Total

Legend: Accident rate — DPCR5 average ······ RIIO-ED1 target

- Educated 68,000 school children at 3,600 safety sessions (annual target = 50,000)

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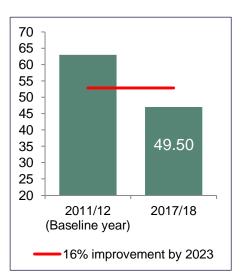
2017/18 performance to date
RELIABILITY

Total outputs 8

For example:

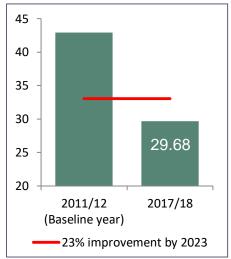*On average, customers will have 16% fewer power cuts and have their electricity supplies restored 23% quicker by 2023*

Other areas…

- **Customer Interruptions (CIs)**

  Average number of power cuts per 100 customers

- **Customer Minutes Lost (CMLs)**

  Average length a customer is without power

- Faults restored within 1 hour on the high voltage network: **88.7%** (target = 85%)

- Storm resilience tree trimming: **675km** (96% of annual target, after 9 months)

- Flood defences at primary substations:**15** (136% of annual target, after 9 months)

	2011/12 (Baseline year)	2017/18
CIs		49.50

— 16% improvement by 2023

	2011/12 (Baseline year)	2017/18
CMLs		29.68

— 23% improvement by 2023

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2017/18 performance to date
ENVIRONMENT

Total outputs
15

For example:

Reduce costs for future customers by developing smart solutions to provide alternative, innovative techniques for managing our network
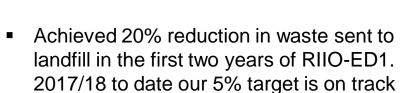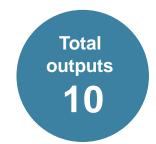
Reduce the amount of waste sent to landfill by 20% over the first two years of RIIO-ED1 and 5% per year up to 2023

30 registered innovation projects (most in UK) across the areas of asset management, customer service and business operations. E.g:

- **'Electric Nation'** – *World's largest electric vehicle use trial to help ready the network for mass adoption by customers*

- **'Open LV'** – *Develop a flexible platform to manage distribution systems. Similar to mobile phone Apps, it enables WPD, communities and third parties such as suppliers to securely access real-time network information*

- Achieved 20% reduction in waste sent to landfill in the first two years of RIIO-ED1. 2017/18 to date our 5% target is on track

- We trial new initiatives to reduce the waste that we send to landfill. During 2017/18 we are reviewing the benefits of moving a South Wales trial project into business as usual. Typically hard plastics such as cones and bollards would be sent to landfill when damaged, a cost neutral recycling option is being investigated

Improve the time to provide a response to customers wanting to use low carbon technologies by 20%

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2017/18 performance to date
CONNECTIONS

Total outputs

10

For example:

> *Continue to rank as top performing DNO group in customer satisfaction surveys*

> *Improve the overall time taken to deliver a connection by 20%*

Connections satisfaction - 2017/18 year to date

WPD	8.72	
DNO 2	8.52	
DNO 3	8.47	
DNO 4	8.37	
DNO 5	8.24	
DNO 6	8.23	

	Time to Quote (average number of days)		Time to Connect (average number of days)	
	Single premises	1-4 premises	Single premises	1-4 premises
West Midlands	4.34	4.50	27.76	36.81
East Midlands	3.56	4.93	27.99	36.44
South Wales	3.27	4.93	28.31	38.22
South West	4.89	5.56	24.97	29.08
Ofgem target	**8.21**	**11.73**	**42.08**	**52.70**

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2017/18 performance to date
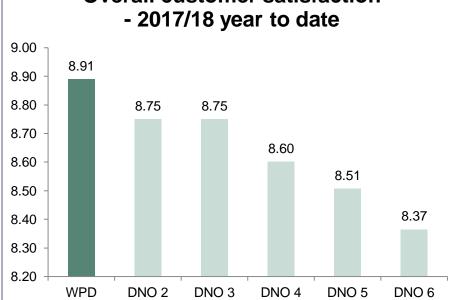## CUSTOMER SATISFACTION

Total outputs 16

For example:

Maintain top ranking for customer satisfaction and complaint handling in our industry

Developing new communication options for customers

Overall customer satisfaction - 2017/18 year to date

WPD	DNO 2	DNO 3	DNO 4	DNO 5	DNO 6
8.91	8.75	8.75	8.60	8.51	8.37

- Over 27,000 webchats handled with average satisfaction of 94%

- First DNO to launch the "Next Generation Text (NGT) Lite" service
  - Allows deaf or hard of hearing customers to contact via a phone, tablet or computer

- Introduced "Interpreter Now"
  - Enabling deaf customers to contact us via a Sign Language Interpreter

- Introduced a two way text message service
  - Enabling all customers to receive updates, report faults and conduct full conversations with us during incidents

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2017/18 performance to date
SOCIAL OBLIGATIONS

Total outputs 17

For example:

Develop local outreach services and coordinated assistance with partners

- 14 fuel poverty schemes - supporting 15,000 customers to save £3.5m per year

- Launched a new fuel poverty referral programme for customers taking receipt of an oxygen concentrator in our region
  - *Signed up to WPD's PSR*
  - *Offered practical support measures to help reduce the cost of their energy, which they critically depend on for medical needs*

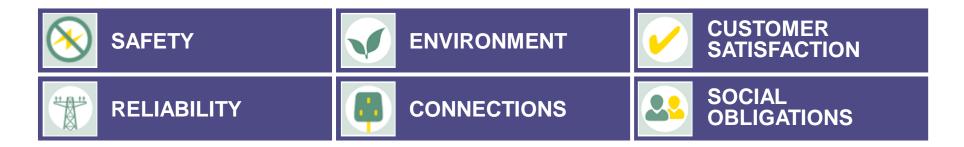**Proactively contact vulnerable customers once every two years**

- Proactively contacted 822,274 customers on the Priority Service Register (PSR) to update their details and offer advice

- New data removal process for out-of-date PSR records 300,000 removed

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LOOKING TO THE FUTURE - ARE THE SIX OUTPUT CATEGORIES STILL CORRECT?

SAFETY	ENVIRONMENT	CUSTOMER SATISFACTION
RELIABILITY	CONNECTIONS	SOCIAL OBLIGATIONS

- Business Plans are long-term (the current plan runs to 2023 and was agreed in 2013)

- Despite thorough planning and engagement, the future rarely pans out *exactly* as forecast. E.g:
  - In 2013 'metal theft' was a huge stakeholder priority – less so now
  - But interest in cyber security and electric vehicles was very low – much higher today

- The current regulatory framework allows us to be flexible to such changes

- We're adapting to the changing nature of networks (such as the growth of generators connecting to our network and new demands for electricity such as electric vehicle charging). We've developed a £125m transition plan using our existing RIIO allowances

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EXAMPLES OF HOW WE ADAPT TO CHANGE

We have already begun to deal with several emerging issues and changes to timescales that were not anticipated when our Business Plan was agreed in 2013:

New generators/technology

- Rapid increase in renewable forms of electricity generation, including solar, wind and energy storage connecting to the grid

Changes in demand (such as electric vehicles)

- More significantly accelerated uptake than originally projected. The Government launched (2017) new funding into better batteries for electric vehicles and plans to phase out diesel cars

Our response:

Distribution System Operator role

- To support these technologies our network is already becoming smarter and more flexible
- To do this efficiently and cost effectively we are making best use of existing capacity rather than building new infrastructure
- WPD has developed a £125m transition plan – within our existing allowances

Alternative connections offers

- These are now a commonplace option for WPD's distributed generation customers
- Allows customers to connect quicker and at reduced cost, in return for some curtailment at times when the network is at full capacity (avoid expensive reinforcement costs)

OTHER CHANGES SINCE OUR BUSINESS PLAN WAS AGREED IN 2013

Flood risk planning

- National Flood Resilience Review (2016) recommends all primary substations serving more than 10,000 customers be protected to 1 in 1,000 year flooding risk (from 1 in 100).

Our response
- We are working with other companies through the Energy Networks Association to understand the impact on our internal planning processes

Cyber security

- Significant increase in cyber attacks across the world (60 per month in the UK)

- Network and Information Systems Directive will be implemented by May 2018 – owners of essential infrastructure must implement measures to protect the security of their network and information systems

Our response
- We are participating with the work of the Energy Emergencies Executive Cyber Security committee and developing our internal process to align with the new UK legislation

ARE EXISTING OUTPUTS AND OUTPUT CATEGORIES STILL APPROPRIATE?

Distribution System Operator role

Current output:	*Within the 'Environment' category:* ■ Reduce costs for future customers by developing smart solutions to provide alternative and innovative techniques for managing our network
Potential outputs:	■ Should we: consider a separate output category for DSO? ■ Monitor against the milestones detailed within our DSO strategy? ■ Report on our record of translating 'smart' solutions into business as usual? – E.g. [xx]GW of additional capacity made available / £[x] reinforcement deferred by rolling out flexible network solutions and active network management

Alternative connections offers

Current output:	*Within the 'Environment' category:* *Provide additional network capacity using smart methods*
Potential outputs:	■ Should we: have specific output in relation to alternative connections? – E.g. [x]% of new connections schemes provided with alternative, flexible offers ■ Undertake further work to promote alternative connections and encourage changes in customers' behaviours?

ARE EXISTING OUTPUTS AND OUTPUT CATEGORIES STILL APPROPRIATE?

Electric vehicles

Current output theme:	*Within the 'Environment' category:* ▪ Make it possible for more people to use low carbon technologies (LCTs)
Potential outputs:	▪ Should we: have a specific output related to electric vehicles? – E.g. [xx] charging points installed ▪ Demonstrate how we have mitigated the impact of changes in demand as a result of increasing electric vehicle charge points?

Changes in flood risk planning

Current output:	*Within the 'Reliability' category:* *Apply flood defences to 75 substations, reducing the risk of both damage to equipment and power cuts due to flooding*
Potential outputs:	▪ Should we amend our ED1 outputs to reflect any agreed changes in flood risk planning or do we address this within ED2?

Cyber security

▪ No current output

Potential outputs:	▪ Should we: have a specific output related to cyber security – E.g. Report on our compliance with the legislative requirements of the new Network and Information Systems Directive

TABLE DISCUSSION

1. **Reflections on WPD's current performance – what are the priority areas for you?**

2. **Have we captured the right 'key changes' that have occurred since 2013 – are any missing?**

3. **Looking ahead to the next price review:**
    3a. Are the six output categories appropriate for the future?

    > e.g. Looking ahead to RIIO-ED2 should 'Distribution System Operator role' (smart networks) remain as part of "environment" or sit separately? Do developments such as the progression to Distribution System Operator sit appropriately in existing categories?

    3b. Where do the 'key changes' sit within these existing categories?

    3c. What types of output would you like to see delivered in each of these areas?

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ELECTRONIC VOTING

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

1 — **Not at all**

10 — **Extremely**

- **Transition to Distribution System Operator role**

1	One – Not at all	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five - Quite	10	Ten – Extremely

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VOTE 1b: On a scale of 1-10 how important is the following issue to you (for WPD to address)?

1 ——————————————————— **10**

Not at all   **Extremely**

- **Alternative connections offers**

1	One – Not at all	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five - Quite	10	Ten – Extremely

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VOTE 1c: On a scale of 1-10 how important is the following issue to you (for WPD to address)?

1 Not at all ——————————— **10** Extremely

- **Electric Vehicles**

1	One – Not at all	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five - Quite	10	Ten – Extremely

VOTE 1d: On a scale of 1-10 how important is the following issue to you (for WPD to address)?

1 ————————————————————————————————— **10**

Not at all   **Extremely**

- **Changes in flood risk planning**

1	One – Not at all	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five - Quite	10	Ten – Extremely

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VOTE 1e: On a scale of 1-10 how important is the following issue to you (for WPD to address)?

1 — Not at all

10 — Extremely

- **Cyber Security**

1	One – Not at all	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five - Quite	10	Ten – Extremely

VOTE 2: In terms of Business Plan outputs, how should WPD address the issue of:

Transition to Distribution System Operator role

1   It is something for WPD to be mindful of and have a plan to address, but within the current Business Plan framework

2   It requires new, measurable outputs immediately

3   It requires new, measurable outputs in RIIO2

VOTE 3: In terms of Business Plan outputs, how should WPD address the issue of:

Alternative connections offers

1   It is something for WPD to be mindful of and have a plan to address, but within the current Business Plan framework

2   It requires new, measurable outputs immediately

3   It requires new, measurable outputs in RIIO2

VOTE 4: In terms of Business Plan outputs, how should WPD address the issue of:

Electric vehicles

1   It is something for WPD to be mindful of and have a plan to address, but within the current Business Plan framework

2   It requires new, measurable outputs immediately

3   It requires new, measurable outputs in RIIO2

VOTE 5: In terms of Business Plan outputs, how should WPD address the issue of:

Changes in flood risk planning

1   It is something for WPD to be mindful of and have a plan to address, but within the current Business Plan framework

2   It requires new, measurable outputs immediately

3   It requires new, measurable outputs in RIIO2

VOTE 6: In terms of Business Plan outputs, how should WPD address the issue of:

Cyber security

1   It is something for WPD to be mindful of and have a plan to address, but within the current Business Plan framework

2   It requires new, measurable outputs immediately

3   It requires new, measurable outputs in RIIO2

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Session 2a:
Looking ahead to RIIO-ED2

Alison Sleightholm
Regulatory & Government Affairs Manager

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

There is expected to be a much greater focus on outcomes in RIIO2 and understanding the value customers place on these

- Output = What is delivered

- **Outcome = The impact of these outputs**

- For example both the MET office and Highways Agency now speak in much more impact based language:

Met Office — **Likelihood of flood, damage and disruption**	**HIGHWAYS AGENCY** — **Impact on journey times**
Beneath which sits the specifics on: Weather models, wind speeds, expected rain/snowfall etc	*Beneath which sits the specifics on:* Accidents, roadworks etc

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

We have listened to stakeholder feedback, in particular the long-term strategic priorities you have identified for WPD.

We believe stakeholders value WPD delivering the following core outcomes:

Keeping the lights on
(with lowest ever levels of power cuts)

A safe and secure network for all
(for the public and staff)

A smart, flexible and interconnected network
(that is 'future proof')

Information easily accessible
(and in the format customers want)

All customers in vulnerable situations supported

An efficient, value for money service
(with the lowest possible bills)

THE BUSINESS PLAN PROCESS

We are a regional monopoly. Our customers cannot 'vote with their feet'. Therefore:

- We are regulated by Ofgem, who seek to protect consumers and mimic competition to ensure high performance standards

- Ofgem issues licences setting out our obligations and responsibilities and the revenues we can earn for delivering these

- Periodically, Ofgem scrutinises the Business Plans of DNOs in a process called a 'Distribution Price Control Review'

- The current process is called 'RIIO-ED1' and covers the period 2015-2023

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THE RIIO FRAMEWORK

$$R\text{evenue} = I\text{ncentives} + I\text{nnovation} + O\text{utputs}$$

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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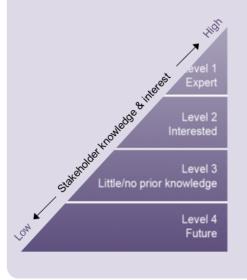*Serving the Midlands, South West and Wales*

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HOW WPD'S RIIO-ED1 BUSINESS PLAN WAS BUILT WITH STAKEHOLDERS

4,200 external stakeholders engaged over a three year period

- Wide range of mechanisms used, tailored to the knowledge and interest levels of our stakeholders, e.g:

  Stakeholder knowledge & interest (High → Low)
  - Level 1 Expert
  - Level 2 Interested
  - Level 3 Little/no prior knowledge
  - Level 4 Future

  - CEO-led Customer Challenge Panel

  - Stakeholder workshops
  - Consultations

  - Willingness to pay research
  - Focus groups
  - Research and surveys

- We adopted a three stage approach:

  Stage 1: Preliminary engagement — identifying initial priorities (for outputs and performance improvement)

  Stage 2: Willingness to Pay — identifying specific improvement levels and their value to customers

  Stage 3: Business Plan consultation — detailed drafting, negotiation and refinement of commitments

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KEY COMPONENTS OF OUR BUSINESS PLAN

Outputs

What we will deliver for customers (incl. measurable targets)

Incentives

Mechanisms to drive high performance standards by linking rewards and penalties to performance in areas such as network reliability, customer service and efficiency

Innovation

Including smart grids, smart meters, losses and climate change adaptation

Expenditure

What we will spend to deliver our plan. E.g. total, capital and operational expenditure, real price effects etc

Financing

How we will pay for our plan. E.g. returns (cost of capital), Return on Regulatory Equity (RORE), Regulatory Asset Value, taxation, pensions etc

Data assurance

Data control arrangements and processes

Uncertainty mechanisms

Allows changes to the revenues a network company can collect in light of what happens during the price control period in areas that are very hard to predict

Business performance, efficiency & benchmarking

Compares Plans with other network companies to ensure efficiency. Cost benchmarking and expert reviews of unit costs proposed for key activities

AREAS SHAPED BY STAKEHOLDERS

	End users (limited knowledge of WPD)	Informed s/holders (e.g. WPD workshops)	Expert s/holders (e.g. Challenge Panel)	Specialist interest parties	Industry participants	Consumer bodies
Outputs	✓	✓	✓	✓	✓	✓
Incentives		✓	✓	✓	✓	✓
Innovation		✓	✓	✓	✓	✓
Expenditure				✓	✓	✓
Financing					✓	✓
Uncertainty mechanisms					✓	✓
Business performance, efficiency & benchmarking				✓	✓	✓
Data assurance				✓		

Questions:

- What areas do you feel you are best-placed to influence/feedback on?
- How far can you go in reviewing our business plan?

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HOW COULD WIDER STAKEHOLDER INFLUENCE GO FURTHER?

Outputs

Role in RIIO-ED1
- Reviewed every draft output (76) within the six defined output categories

RIIO-ED2
- Nominate new outputs, measures and output categories?

Incentives

Role in RIIO-ED1
- Gave views on Ofgem's proposed mechanisms

RIIO-ED2
- Nominate areas for WPD to be incentivised on?
- Comment on mechanisms (penalty & reward vs reward only vs penalty only), targets and reward/penalty levels?

Innovation

Role in RIIO-ED1
- Expert partners consulted on our strategy and focus of key schemes

RIIO-ED2
- Views on roll out mechanisms for successful innovations into business as usual, how to adopt innovations from other network companies and opportunities for a broader range of third-parties to participate in and create the ideas for schemes?

HOW COULD WIDER STAKEHOLDER INFLUENCE GO FURTHER?

Expenditure

Role in RIIO-ED1	• Predominantly Ofgem only (some industry party and consumer body views)
RIIO-ED2	• End consumer views on willingness to pay and impact on bills to fund activities? • Informed stakeholders to review WPD's cost benefit analysis of different expenditure options and vote on their preferences?

Financing

Role in RIIO-ED1	• Predominantly Ofgem only (some industry party and consumer body views)
RIIO-ED2	• Views on levels of fair return? • Beyond that, who do you think is best placed to comment on: Levels of allowed returns, taxation models, whether our costs and financing arrangements are efficient?

HOW COULD WIDER STAKEHOLDER INFLUENCE GO FURTHER?

Uncertainty mechanisms

Role in RIIO-ED1	▪ Predominantly Ofgem only (some industry party and consumer body views)
RIIO-ED2	▪ Views on risk (and willingness to accept this)? E.g. willingness to accept riskier investment choices such as investment ahead of need (building bigger networks in areas where we anticipate capacity will be needed, but it isn't yet) with rewards if the capacity is used, and reduced returns if it becomes stranded

Business performance, efficiency & benchmarking

Role in RIIO-ED1	▪ Ofgem only (only ones with the comparative data required)
RIIO-ED2	▪ Do you think there is a way for you to participate/have a view in this area?

Data assurance

Role in RIIO-ED1	▪ Ofgem only
RIIO-ED2	▪ Do you think there is a way for you to participate/have a view in this area? ▪ Who do you think is best placed to comment on: if the DNO has followed a robust process and the final plan delivers the right/appropriate outputs?

TABLE DISCUSSION

1. **What outcomes would you like us to achieve in RIIO2 (2023+)?**
   – What are your top priorities (for WPD to deliver)?
   – Have we captured the right outcomes – what's missing?

In relation to each component of the Business Plan:

2. **Which areas can you influence?**

3. **What input/influence can you have – have we missed any examples?**

4. **Which groups do we need to engage with on each? Do we need to put together new specialist interest groups to address them with stakeholders?**

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ELECTRONIC VOTING

VOTE 7a: How involved would you like to be in the following Business Plan component areas?

1 ——————————————— **10**

Not at all   **Very – can review all aspects**

A. Outputs
- What we will deliver for customers (incl. measurable targets)

1	One – Not at all	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five – A bit	10	Ten – Very

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VOTE 7a: How involved would you like to be in the following Business Plan component areas?

1 ——— **10**

Not at all

Very – can review all aspects

B. Incentives

- Mechanisms to drive high performance standards by linking rewards and penalties to performance in areas such as network performance, customer service and efficiency

1	One – Not at all	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five – A bit	10	Ten – Very

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VOTE 7a: How involved would you like to be in the following Business Plan component areas?

1 ———————————————————— **10**

Not at all   **Very – can review all aspects**

C. Innovation

- Including smart grids, smart meters, losses and climate change adaptation

1	One – Not at all	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five – A bit	10	Ten – Very

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VOTE 7a: How involved would you like to be in the following Business Plan component areas?

1 ———————————————————————— **10**

Not at all   **Very – can review all aspects**

D. Expenditure

- What we will spend to deliver our plan, e.g. total, capital and operational expenditure, real price effects etc

1	One – Not at all	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five – A bit	10	Ten – Very

VOTE 7b: How involved would you like to be in the following Business Plan component areas?

1 ——————— **10**

Not at all

Very – can review all aspects

E. Financing

- How we will pay for our plan. Including allowed returns (cost of capital), Return on Regulatory Equity (RORE), Regulatory Asset Value, taxation, pensions etc

1	One – Not at all	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five – A bit	10	Ten – Very

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VOTE 7b: How involved would you like to be in the following Business Plan component areas?

1 ———————————————————————— **10**

Not at all

Very – can review all aspects

F. Uncertainty mechanisms

- *Allows changes to the revenues a network company can collect in light of what happens during the price control period in areas that are very hard to predict*

1	One – Not at all	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five – A bit	10	Ten – Very

VOTE 7b: How involved would you like to be in the following Business Plan component areas?

1 ———————————————————————— **10**

Not at all   **Very – can review all aspects**

G. Business performance, efficiency & benchmarking

- Compares Plans with other network companies to ensure efficiency. Cost benchmarking and expert reviews of unit costs proposed for key activities

1	One – Not at all	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five – A bit	10	Ten – Very

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VOTE 7b: How involved would you like to be in the following Business Plan component areas?

1 ——————— **10**

Not at all **Very – can review all aspects**

H. Data assurance

- Data control arrangements and processes

1	One – Not a lot	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five – A bit	10	Ten – Very

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COFFEE BREAK

How do we get customer engagement right?

citizens advice

WPD Road Show 2018

Introduction

- National advice charity

- > 300 branches

- Statutory representative of energy and postal

  consumers

Customer engagement

A company's proactive engagement with its customers to

- Gain insight into customer needs and wants

- Improve products and services

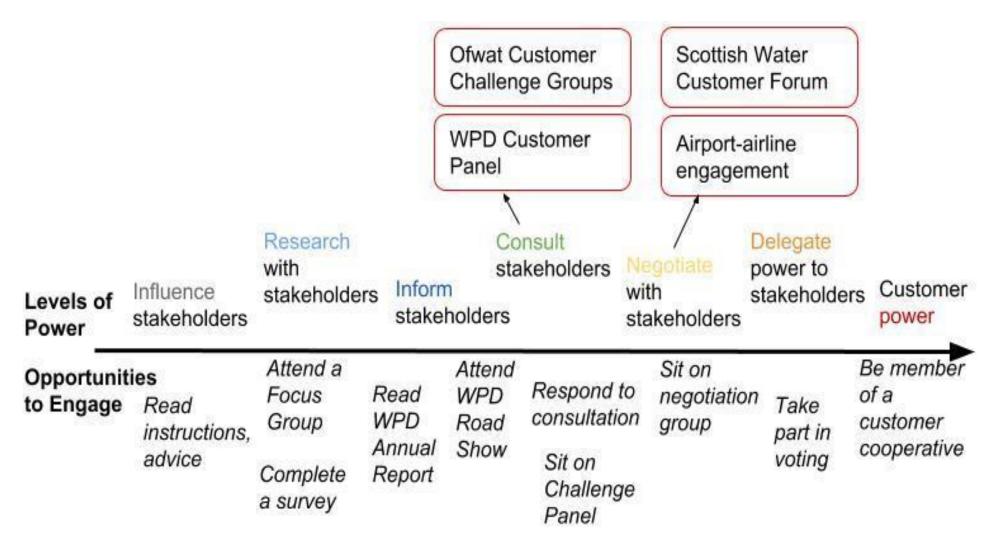- Inform their Business Plan

Why is engagement important?

The regulator says...

- Ofgem "requires companies to engage more effectively with their customers"

- Ofgem wants to give "consumers a stronger voice in setting outputs, shaping and assessing business plans"

- "companies should take decisions about how best to understand and respond to the needs of their customers; and companies may wish to explore a range of techniques [...]"

How do you do it best?

Ofwat Customer Challenge Groups

Scottish Water Customer Forum

WPD Customer Panel

Airport-airline engagement

Levels of Power

Influence stakeholders · Research with stakeholders · Inform stakeholders · Consult stakeholders · Negotiate with stakeholders · Delegate power to stakeholders · Customer power

Opportunities to Engage

Read instructions, advice · Attend a Focus Group / Complete a survey · Read WPD Annual Report · Attend WPD Road Show · Respond to consultation / Sit on Challenge Panel · Sit on negotiation group · Take part in voting · Be member of a customer cooperative

Customer Challenge Panels

Purpose	• Provide **challenge** to the network company on its performance, its Business Plan and its stakeholder engagement approach • Provide **assurance to Ofgem** that the network company has considered stakeholder views appropriately
Membership	• Subject matter experts • Consumer representatives • Wider stakeholders
Meetings	Every 3 months
Remit	Outputs, Reliability, Vulnerable customers, Environmental impact, Long-term priorities, Connections, Future consumers, Customer service
Output	**A report** to Ofgem detailing their • views on quality of stakeholder engagement • views on quality of the Business Plan
Decision-making power	**Energy network** decides what goes in the Business Plan **Ofgem** can accept Business Plan or make change requests

Questions to discuss

1. **Customer Challenge Panels might play an even greater role in the next round of energy networks' Business Planning. What are your views on this considering the various options of customer engagement that exist?**
   a. Positive things about this engagement approach?
   b. Concerns about this engagement approach?

2. **How do you think Customer Challenge Panels should be designed and run?**
   a. How should these Panels be resourced?
   b. How could it be ensured that the Panel is independent?
   c. How should these Panels prove that they are having an impact on the energy networks' operations and Business Plans?

3. **How should energy networks weigh up different stakeholder opinions?**

ELECTRONIC VOTING

VOTE 8:

When writing the next Business Plan, what level of power should users/ stakeholders be given by WPD? (multiple responses possible)

1   Research: WPD should involve users/ stakeholders in research

2   Inform: WPD should inform users/stakeholders of their plans

3   Consult: WPD should seek views from users/ stakeholders on details of the plan

4   Consult +: WPD should have a regular Advisory or Challenge Panel

5   Negotiate: WPD should negotiate the details of the plan with users/ stakeholders

6   Delegate: WPD should delegate some decisions to users / stakeholders

7   Citizens power: Users / stakeholders should have full decision-making power

VOTE 9:

During the delivery of the Business Plan, what level of power should users/ stakeholders be given by WPD? *(multiple responses possible)*

1   Research: WPD should involve users/ stakeholders in research

2   Inform: WPD should inform users/stakeholders of their plans

3   Consult: WPD should seek views from users/ stakeholders on details of the plan

4   Consult +: WPD should have a regular Advisory or Challenge Panel

5   Negotiate: WPD should negotiate the details of the plan with users/ stakeholders

6   Delegate: WPD should delegate some decisions to users / stakeholders

7   Citizens power: Users / stakeholders should have full decision-making power

VOTE 10:
How much weight should WPD give to the voice of its Customer Panel? *(pick one answer)*

1   None

2   Very little: views are heard but are not that important

3   Some

4   Quite a bit

5   A lot: their views are amongst the most important

VOTE 11:
On what level would <u>you</u> be willing to engage with WPD on their next Business Plan?
(multiple responses possible)

1 Research: take part in research, e.g. surveys, focus groups

2 Inform: receive information and updates and read them; attend information events

3 Consult: attend consultation event(s); respond to consultation(s)

4 Consult +: be a member of an Advisory or Challenge Panel

5 Negotiate: be a member of a negotiation group

6 Delegate: cast your vote

7 Citizens power: be a member of a customer cooperative

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Session 3:

Transitioning to a Distribution System Operator
What this means for different customer groups

Paul Jewell
Policy Manager

ENERGY NETWORKS ARE CHANGING

The way we generate, distribute and consume electricity is changing

- Advances in technology are affecting the entire energy system

- Generation is becoming cleaner and more distributed

- Networks are becoming smarter and more active

- Customers are beginning to benefit from an increasingly efficient and flexible system
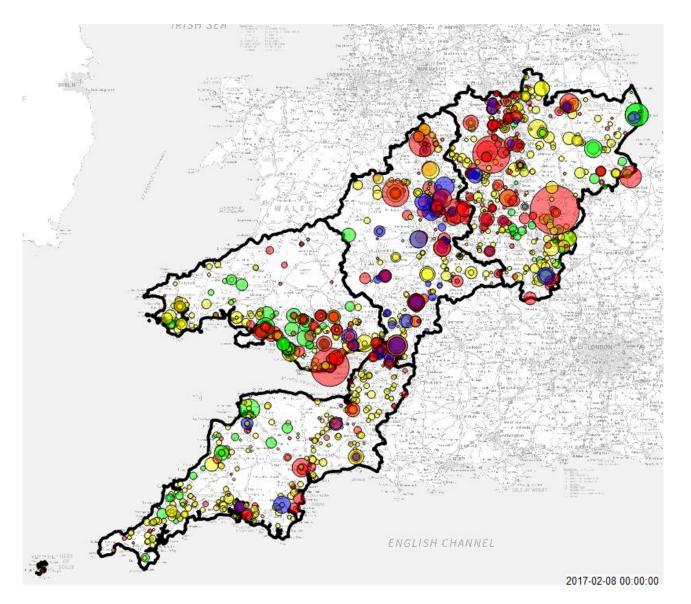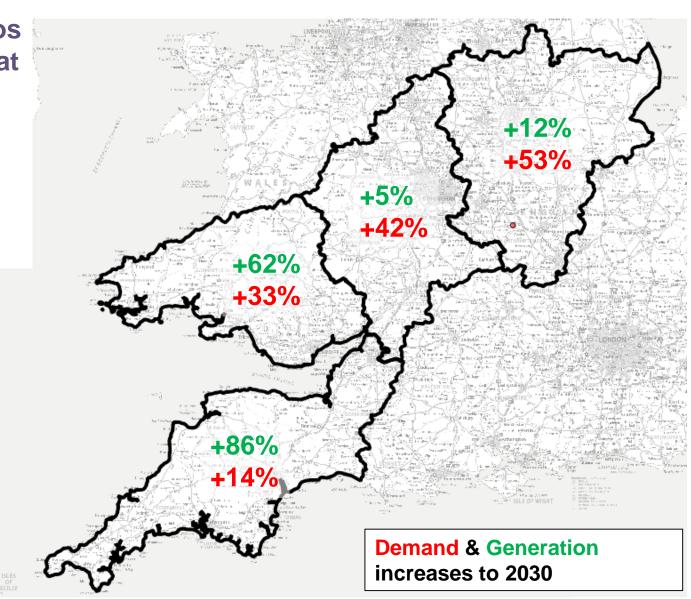
EMBEDDED GENERATION TODAY

2017-02-08 00:00:00

Within ten years, embedded generation has come to dominate the peak power flows on distribution networks

- 🟨 **Solar Photovoltaic**
- 🟩 **Wind**
- 🟦 **Energy Storage**
- 🟥 **Other**

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LOW CARBON IMPACT TO 2030

Our growth scenarios out to 2030 show that both demand and generation are expected to grow significantly in all regions

+12%
+53%

+5%
+42%

+62%
+33%

+86%
+14%

Demand & Generation
increases to 2030

83

WHAT IS A DSO?

- **A Distribution Network Operator (DNO) provides a network sized to support times of maximum demand and/or generation output**
  - It is sufficiently large to enable the GB Market to consider it having infinite capacity

- **A Distribution System Operator (DSO) exploits Information & Communication Technologies to deliver a network that makes optimal use of capacity**
  - Smarter network solutions *(e.g. Dynamic Asset Rating, Voltage reduction, Active Network Management, Intertrip connections)*
  - Non-network solutions *(e.g. Demand Side Response, Distributed Generation, Storage, Reactive Power Services)*

Distribution **N**etwork **O**perator

Passive networks managing maximum power flows

→

Distribution **S**ystem **O**perator

Active networks managing real-time energy flows

NETWORK OPERATORS ARE CHANGING

As WPD moves from being a Distribution Network Operator to a Distribution System Operator, it will carry out its existing functions and take on some new ones so as to:

Existing

- Develop and maintain an efficient, co-ordinated and economical system of electricity distribution
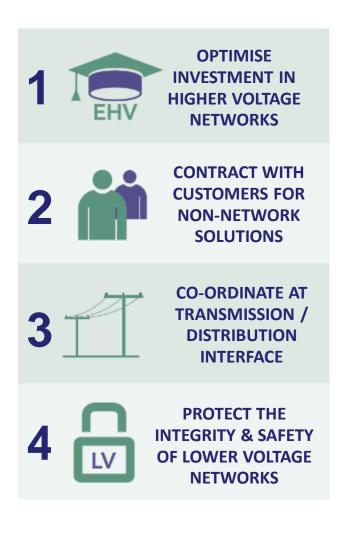- Facilitate competition in electricity supply, electricity generation

New Roles

- Facilitate flexibility services
- Improve the resilience and security of the electricity system at a local level
- Facilitate neutral markets for more efficient whole system outcomes
- Drive competition and efficiency across all aspects of the system
- Promote innovation, flexibility and non-network solutions

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DSO – A FOUR POINT PLAN

Our DSO Strategy focuses on delivering in 4 key areas:

1 EHV — **OPTIMISE INVESTMENT IN HIGHER VOLTAGE NETWORKS**

2 — **CONTRACT WITH CUSTOMERS FOR NON-NETWORK SOLUTIONS**

3 — **CO-ORDINATE AT TRANSMISSION / DISTRIBUTION INTERFACE**

4 LV — **PROTECT THE INTEGRITY & SAFETY OF LOWER VOLTAGE NETWORKS**

- Smarter extra high voltage (EHV) networks that maximise the usage of existing assets, deliver greater network flexibility and maximise customer connection choice (for demand, generation and storage)

- Use customer provided solutions (e.g. storage and distributed generation) to increase our network capacity where this is more economical than reinforcement

- Co-ordinate with the National Energy Transmission System Operator to enhance system security and efficiency

- Continue to keep the lights on and deliver high availability, high quality supply and meet the future needs of consumers

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DSO CONSULTATION PROCESS

DSO Launch Event

On the 14th September we will be hosting an event at The IET Birmingham: Austin Court to invite feedback on our proposed actions to become a full DSO and to consult our stakeholders upon the strategic decisions we think will provide the most benefit to our customers as we move to a smarter system.

Date: 14th September 10am

Venue: IET Birmingham: Austin Court

RSVP: wpdnetworkstrategy@ westernpower.co.uk

Throughout the summer of 2017, we received feedback on our DSO Transition Strategy from a wide range of stakeholders including customer groups, industry and local enterprise partnerships; to ensure our vision is aligned with the needs and priorities of our customers and partners

Stakeholder Input

WPD will review its DSO Strategy in line with the feedback from our stakeholders. You can provide your feedback in the **Stakeholder Consultation Questions here.**

Flexibility in the energy system will come from a variety of sources. What balance of flexibility should be delivered by networks, customers or third party actors?

CONSULTATION FEEDBACK

Our stakeholders told us that our DSO Transition Strategy laid a valuable foundation for the future of energy across all of our licence areas.

We've considered all feedback and updated our plans accordingly.

> AS DISTRIBUTION NETWORKS BECOME MORE VISIBLE, COMMUNICATION TO ALL CUSTOMER GROUPS WILL BE KEY.

> CROSS SECTOR WORKING IS VITAL. GOVERNMENT, LOCAL LEADERS, REGULATORS AND THE ENERGY MARKETS MUST WORK TOGETHER.

> FLEXIBILITY MARKETS NEED TO BE SIMPLE TO UNDERSTAND AND PARTICIPATE IN.

> SMART INTERVENTIONS SHOULD BE APPLIED ACROSS THE WHOLE NETWORK AND AT ALL VOLTAGES.

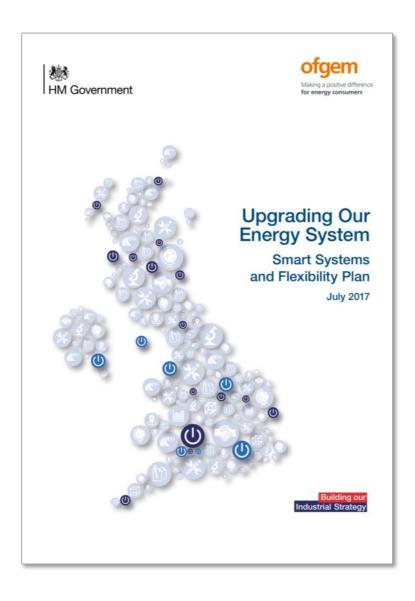> VULNERABLE CUSTOMERS MUST NOT BE LEFT BEHIND.

> WPD SHOULD PRESENT ITS VISION OF A LONGER TERM FUTURE.

> A DSO SHOULD NOT PARTICIPATE IN COMMERCIAL AGGREGATION.

> WPD SHOULD PROVIDE MORE DETAIL TO CUSTOMERS ON WHERE THEY CAN PARTICIPATE, HOW THEY CAN PARTICIPATE AND WHAT BENEFITS PARTICIPATION MAY BRING.

> A DSO WILL NOT NEED TO INVEST IN STORAGE AS THE MARKET WILL PROVIDE THIS WHEN REQUIRED.

WHAT THIS MEANS FOR CUSTOMERS

ofgem

"If we take advantage of the opportunities, we can create new businesses and jobs, empower consumers and help people save up to £40bn off their energy bills in the coming decades"

WHAT THIS MEANS FOR OUR CUSTOMERS

Traditional DNO operations would require very substantial investments in passive grid infrastructure, which would be underutilised much of the time

- There is an increasing risk of stranded assets or reinforcement lagging development as the growth rate of Distributed Energy Resources and Low Carbon Technology demand increases

- Traditional investment planning may not be able to deal with new scenarios – i.e. rapid clustering, temporary constraints, changes in diversity

- Asset replacement and traditional reinforcement will be supplemented by increasing the agility of networks and enabling customers to deliver additional flexibility when required

- Network and System operators have strong incentives to pursue smart alternatives to network upgrades where this can create value for consumers

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WHAT THIS MEANS FOR OUR CUSTOMERS
Large Energy Users/ Distributed Generation/ Storage/ Smart Technology Providers

- A smarter, more flexible energy system will rely on customers shifting behaviour to less highly utilised times in order to deliver a more economic system which can supply more energy

- We will provide signals to drive this behaviour through use of system charging and direct commercial incentives for active participation

- Large energy users who have a degree of flexibility in their consumption will be able to reduce the cost of supplying that energy with our help

- They will also be able to generate further income by helping the wider system with other services, which will be facilitated by us

- Moving from passive to active network operation will require new investments in smarter technology including communications and IT systems to help with data management

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WHAT THIS MEANS FOR OUR CUSTOMERS
Local Communities & Vulnerable Customers

- Giving access to energy use data at a local community level will empower them to take control of their own energy usage

- We will signpost on a geographic basis where peaks can be avoided and where flexibility would be valued. WPD is commencing this process in the middle of 2018

- As we invest in smarter technology, we will be able to provide improved levels of support through new channels. Smart meters and social media will play important parts in these developments

- The roll out of smart meters will allow customers to see their energy usage in real time helping them to reduce their bills

- Network and System Operators are already working with the regulator to develop how networks will be charged for in the future. WPD will seek to ensure that vulnerable customers needs are recognised

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ADDITIONAL OPPORTUNITIES FOR VULNERABLE CUSTOMERS TO BENEFIT IN A SMART FUTURE

- The latest smart meters (SMETS2) offer a "last gasp" feature that notifies WPD immediately when there is a power cut
  - This will enable us to immediately contact the customer to offer information, advice and additional support
  - Currently we only call customers proactively between 8am – 8pm (sociable hours)
  - Should we amend this for real-time power cut alerts received from smart meters?
  - Should we enable customers to customise the times that they want to be contacted?

- When agreeing these timings for contact, there is an opportunity for us to ask customers to pre-indicate what bespoke assistance they may need from us in a power cut (rather than assuming their needs based on the category they are assigned on the Priority Service Register)

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TABLE DISCUSSION

1. **Have we captured the key customer segments that may be affected by DSO operations?**
   - Who are the most likely to participate first?

2. **What are the key benefits/impacts for you (and stakeholders similar to you)?**

3. **Specifically what do you think are the key impacts for 'vulnerable customers' and 'wider communities'?**

4. **Should we enable customers to customise what times of day they receive power cut alerts?**

5. **Should we consider ways in the future of lowering distribution charges specifically for fuel poor customers?**

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ELECTRONIC VOTING

VOTE 12: How well do you understand the impacts of the DSO transition for the following customer group?

1
Very low

10
Excellent

A. Large Energy Users

1	One – Very low	6	Six	
2	Two	7	Seven	
3	Three	8	Eight	
4	Four	9	Nine	
5	Five - Some	10	Ten – Excellent	

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VOTE 12: How well do you understand the impacts of the DSO transition for the following customer group?

1 ———————————— **10**

Very low   **Excellent**

B. Distributed Generation and Storage Providers

1	One – Very low	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five - Some	10	Ten – Excellent

VOTE 12: How well do you understand the impacts of the DSO transition for the following customer group?

1 ──────────── **10**

Very low   **Excellent**

C. Smart Technology Providers

1	One – Very low	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five - Some	10	Ten – Excellent

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VOTE 12: How well do you understand the impacts of the DSO transition for the following customer group?

1 — **Very low**

10 — **Excellent**

D. Local Communities

1	One – Very low	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five - Some	10	Ten – Excellent

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VOTE 12: How well do you understand the impacts of the DSO transition for the following customer group?

(1) **Very low** ———————————————————— (10) **Excellent**

E. Vulnerable Customers

1	One – Very low	6	Six
2	Two	7	Seven
3	Three	8	Eight
4	Four	9	Nine
5	Five - Some	10	Ten – Excellent

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VOTE 13: If we receive a power cut alert from a smart meter when should we contact a vulnerable customer?

1   Immediately – regardless of the time of day

2   Between 8am-8pm only

3   Enable customers to select from a list of predetermined options e.g. Choice of four time windows (8am-8pm; 7am-9pm; 6am-10pm; or anytime 24/7)

4   Enable customers to fully customise their own call preference times, including differences for weekends vs weekdays for example

LUNCH

Session 4 – this afternoon

A choice of three sessions:

Table 1: Connections & Distributed Generation

Table 2: Social obligations (incl. vulnerability & fuel poverty)

Table 3: Losses and innovation

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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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