



Consumer Value Proposition for the RIIO-ED2 price control period

CVP-6: Offer 1.2 million PSR customers a bespoke smart energy action plan every two years

Version Control

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Table of Contents

1. Summary	4
2. Introduction.....	5
What this Customer Value Proposition includes	5
3. Our proposal	7
Background	7
What we are proposing	7
How our proposal delivers beyond expectations	8
Our delivery plan	9
4. Benefits generated by our proposal	10
Results of quantification	10
Approach to quantifying	12
5. Stakeholder support.....	15
Feedback from stakeholders	15
Supporting our Business Plan	15
6. Accountability for delivery	17
What WPD proposes if outputs are not delivered	17
7. Eligibility checklist	18
8. Appendix: Joint Social Value Framework	19

1. Summary

**Support
1.2 million
vulnerable
customers**

to take advantage of
new technologies
through smart energy
plans

**Talk with
600,000 PSR
customers
every year**

to help them lock in
£14 annual savings
by using smart
meters

CVP-6

Offer 1.2 million PSR
customers a bespoke
smart energy action
plan every two years

**Actively
engaging**

with vulnerable
customers to make
sure no one is left
behind

**£20.4 million
of net benefits**
across RIIO-ED2,
resulting from
financial and societal
impacts

2. Introduction

- 2.1. In this document we highlight one of the areas where our business plan goes above and beyond in order to deliver outstanding services for our customers and/or the environment. The proposal outlined here forms part of our Consumer Value Proposition (CVP). Though we believe our core business plan is highly ambitious, comprehensive and stretching, via our CVP proposals we demonstrate where WPD is raising the bar even further for the benefit of our customers.
- 2.2. Our CVP proposals span a wide spectrum of projects covering many areas of our business: from committing to becoming a net zero company by 2028 to helping our customers reduce their carbon emissions and ensuring that no customers are left behind in accessing the opportunities of the energy system transition.
- 2.3. These proposals build upon the valuable input that we have received from our customers and stakeholders on what they value most and what they want us to deliver. Our proposals will provide tangible benefits, that we have quantified using a robust methodology. Taken together, our proposals will deliver a combined benefit to customers worth in excess of £150 million, with every proposal delivering a benefit worth at least £3 million.
- 2.4. The CVP forms part of Ofgem's Business Plan incentive (BPI), which it designed to encourage energy network companies to put forward high-quality and stretching business plans for the RII0-ED2 price control.
- 2.5. Below, we set out the detail of one of our CVP proposals: ***CVP-6: Offer 1.2 million PSR customers a bespoke smart energy action plan every two years.***

What this Customer Value Proposition includes

- 2.6. Supporting vulnerable customers is a key priority in our Business Plan. We are in a unique position to provide all our customers the tools to help them enjoy the benefits of Low Carbon Technologies (LCTs). And we want to make sure no one is left behind as part of the energy transition. WPD is committed to deliver this initiative, which will help us achieve this goal.
- 2.7. This document explains how this proposal goes beyond our core commitments relating to customers in vulnerable situations, smart and flexible networks and community energy. It sets out how our proposal will unlock financial, environmental and societal benefits for our local communities.
- 2.8. The rest of the document is structured in the following sections:
 - **Section 3. Our proposal:** describing what this CVP is about and explaining how it complies with Ofgem's criteria.
 - **Section 4. Benefits generated by our proposal:** setting out how we have calculated the additional value that our proposal will deliver to customers.
 - **Section** Error! Reference source not found.. Error! Reference source not found.: explaining how this initiative addresses priorities raised by our customers.
 - **Section** Error! Reference source not found.. Error! Reference source not found.: defining what the key outputs are and what WPD proposes if outputs are not delivered.
 - **Section** Error! Reference source not found.. Error! Reference source not found.: confirming how this CVP addresses Ofgem's CVP eligibility criteria.

- **Section 8. Appendix: Joint Social Value Framework:** setting out how we, together with the other DNOs, have agreed a framework to quantify the benefits delivered by CVP proposals.

3. Our proposal

3.1. In this section, we will explain the following aspects of the proposal:

- Background for this initiative.
- What we are proposing.
- How our proposal delivers beyond expectations.
- Our delivery plan.

Background

- 3.2. We are driven by our commitment to lead a smarter energy system, supported by changes resulting from digitalisation and the use of smart meters. This will enable us to take better informed decisions not only for our business but also for our customers.
- 3.3. We also need to ensure that we help vulnerable customers navigate this rapidly changing landscape. We have a clear commitment in embracing an inclusive energy transition, in which no one is left behind. This is about transitioning towards a greener, more sustainable energy system and ensuring that everyone is on board in the process.
- 3.4. This initiative is a clear example of this commitment. We are proposing an innovative customer support service targeted at vulnerable users on the Priority Service Register (PSR). Making sure available channels are offered to these vulnerable customers is within our baseline expectations but this proposal goes beyond: actively engaging with them to ensure they receive right support that meets their personal needs.

What we are proposing

- 3.5. This initiative aims to offer 1.2 million PSR customers a bespoke smart energy action plan every two years. We are committed to delivering a fair and just transition to a smart network and net zero carbon economy. Our stakeholders are very supportive of our robust and ambitious plan which ensures those who are vulnerable or living in fuel poverty are not left behind and are able to access the opportunities to reduce costs.
- 3.6. The proposed bespoke smart energy plan would be targeted at PSR customers to provide them with the following services:
- Customer access to domestic flexible and/or aggregated services:
 - Enabling customers to make direct savings on their energy bills by joining community-level flexibility tariffs where they can reduce their energy costs by adjusting the timing of their energy use.
 - Connection aid and advice for adoption of Electric Vehicles (EVs) and LCTs, potentially in collaboration with local authorities:
 - Providing specialist advice and referrals to key partner agencies to provide vulnerable customers with the support required to navigate the process to make use of LCTs and EVs, accelerating the shift towards these technologies as a result of WPD's support.
 - Linking customers to relevant energy community schemes based on customer location:
 - Enabling customers to access lower-cost energy produced locally via community energy schemes in their region.
 - Energy savings and energy efficiency measures:

- Promoting a range of interventions to ensure customers are on the most appropriate energy tariff, supporting their applications to energy efficiency schemes and installation of smart meters - all intended to give our customers greater control over their energy use, resulting in direct savings.

- 3.7.** According to the criteria set out by Ofgem in relation to the submission of Customer Value Proposition (CVP) initiatives, this initiative would sit under “*Proposals that demonstrate approaches to providing services to vulnerable consumers that clearly go beyond the baseline expectations.*”
- 3.8.** This initiative also fits within the category of “*Proposals that exceed the baseline expectations set out for Environmental Action Plans*” due to the support towards smart energy plans.

How our proposal delivers beyond expectations

How WPD is doing something different to BAU activities

- 3.9.** WPD’s current activities in this space are focused on providing relevant support and information to vulnerable and PSR customers through the appropriate channels.
- 3.10.** This proposal goes beyond this by proactively engaging and developing bespoke energy plans for PSR customers which is not an activity we have undertaken before.

How WPD will go beyond RIIO-ED2 baseline expectations

- 3.11.** Baseline expectations for vulnerable customers and around our Environmental Action Plan are set out in the RIIO-ED2 business plan guidance.
- 3.12.** Within this guidance there are baseline expectations relating to the identification of blockers to participating in a smart, flexible energy system. These baseline expectations are that we will:
- Have an extensive network of partnerships with a range of organisation types, from multiple sectors including other utilities.
 - Make use of referral channels and signposting support for customers. This will primarily be done through customer service teams, but we expect DNOs to seek opportunities to maximise consumer touchpoints.
 - Be involved in two-way flow partnerships supporting vulnerable customers, in line with the companies’ understanding of social issues in their region. This should include the network company having direct involvement in the end to end process of delivering support, providing expertise and co-creating schemes. Where appropriate, we would expect to see example schemes where the DNO is taking a leading role.
 - Have a clear process for identifying which partnerships are likely to be most effective at delivering benefits through co-operative working. This should be clearly linked to the priority areas of focus of the strategy, in particular addressing fuel poverty and supporting those at risk of being left behind by the energy system transition.
- 3.13.** The business plan guidance also sets out baseline expectations in relation to Environmental Action Plans. This initiative provides additional environmental benefits beyond those covered by WPD’s Environmental Action Plans and will support the overall energy transition by allowing PSR customers to best take advantage of the opportunities available to them via LCTs.

3.14. This CVP initiative goes beyond these baseline expectations due to the following reasons:

- Baseline expectations around the delivery of services to vulnerable customers require to make sure that uses referral channels and provides signposting support to take vulnerable customers on board as part of the energy transition process. WPD would exceed baseline expectations for vulnerable customers, as this initiative entails proactively engaging with these vulnerable customers to guarantee they receive appropriate advice. WPD would also follow up with customers to assist with the adoption of this advice.
- Baseline expectations refer to providing support to vulnerable customers without specifying any specific minimum targets. Through this initiative, WPD is committing to reach out to 60% of customers on the PSR. This represents a significant commitment to support these customers.
- Adoption of greener systems by our customers such as EVs and LCTs does not relate to our Business Carbon Footprint. Hence, any actions supporting the reduction of customers' carbon footprints go beyond baseline expectations for EAPs.

Our delivery plan

3.15. WPD has a clear understanding of what success will look like under this initiative. Success will be assessed against the following performance measures:

- Number of customers contacted in relation to the bespoke smart energy action plan: **1 million PSR customers every year, of which 600,000 contacted by telephone.**
- Number of follow-up referrals (in relation to telephone-contacted customers): **5% during first two years, 10% from year 3 onwards**, i.e. 30,000 and 60,000 referrals, respectively.
- Financial savings to customers resulting from the advice taken vs baseline, i.e. baseline being scenario where no advice is provided: **£14 per customer per year.**
- Customer satisfaction ratings: **overall score in line with or better than WPD's results in Ofgem's Broad Measure of Customer Satisfaction.**

3.16. We would dedicate a **£1 million** annual budget for this initiative.

3.17. This initiative would start from Year 1 of the next Price Control period (i.e. from 2023) as a pilot scheme and it would be extended in full across the following four years within this period.

3.18. An extensive training package will be provided to our current Customer Service teams to enable them to assist our PSR customers in relation to this initiative. This will require approximately 35 additional staff members, creating a team of around 55-60 members tackling these queries.

4. Benefits generated by our proposal

Results of quantification

5 and 10-year results

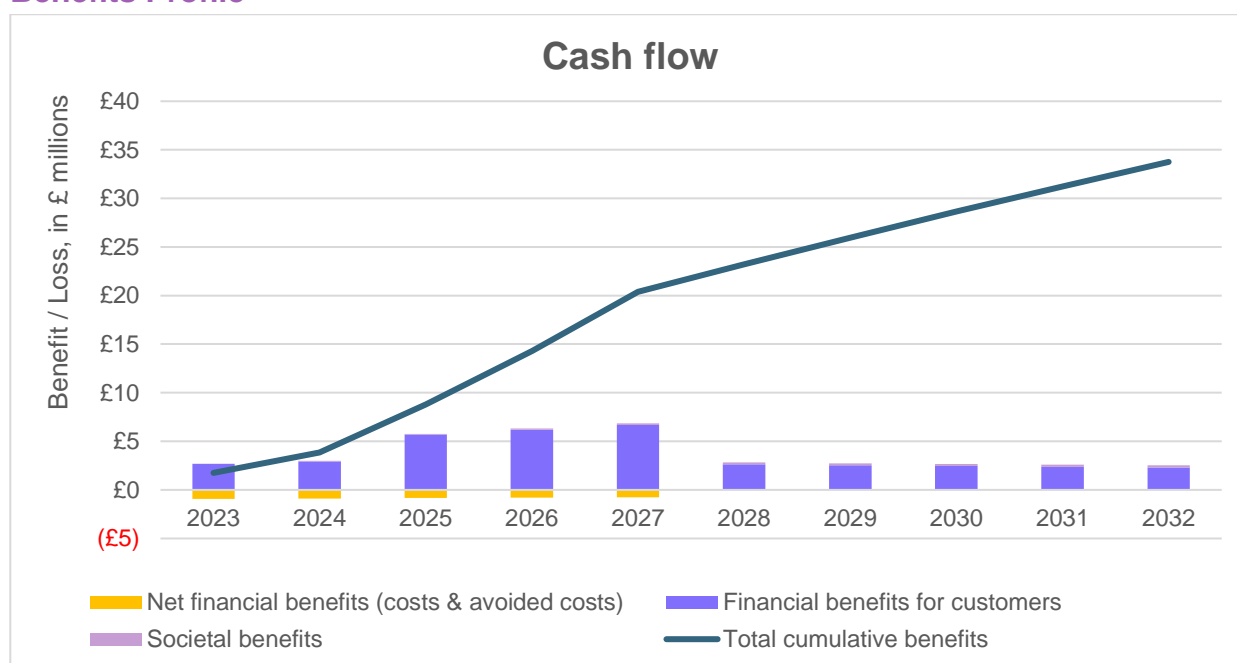
4.1. In line with the joint social value framework, agreed with the five other DNOs and shared with Ofgem in 2020, we have modelled the benefits of this CVP over both a 5 and 10-year appraisal period. More detail on the joint social value framework can be found in Section 8.

4.2. The table below provides the following results from our analysis:

- **Total cost:** The total cost of the proposal, in 2020/21 prices (in line with Ofgem's CBA templates).¹
- **Total gross present value:** The total value generated by the proposal across financial, environmental, and societal benefits – discounted to present values.
- **NPV – Net present value:** The total value generated by the proposal, net of all costs – again discounted to present values.
- **SROI – Social return on investment:** The £s of benefit achieved for every £ spent.

	5-years	10-years
Total cost	£4,225,250.62	£4,225,250.62
Total gross present value	£24,612,334.52	£37,980,132.62
NPV	£20,387,083.90	£33,754,882.00
SROI	£4.83	£7.99

Benefits Profile



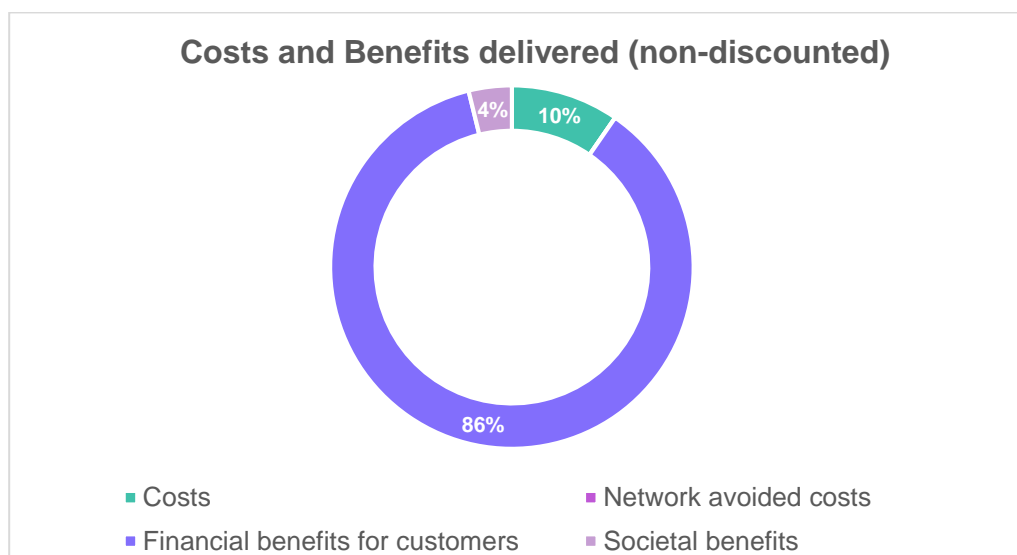
¹ As per the discounting applied to all costs and benefits, this figure shows the present value of costs in 2020/21 prices. The values described in the costs section below are expressed in nominal values, i.e. the actual £ prices. For this CVP, the total undiscounted cost is £5 million.

Breakdown of Benefits

- 4.3. Financial Benefits.** The provision of a bespoke smart energy action plan for customers is expected to provide financial savings through saved money in electricity bills. The various interventions offered will include:
- Smart meters – and the associated behavioural change savings (base level advice – benefits modelled as conservative proxy for all interventions).
 - Uptake of flexibility tariffs – and the associated savings against standard tariffs.
 - Connections for new LCTs (e.g. household solar generation, EVs) – to take advantage of associated savings.
 - Accessing local community energy schemes – and the associated reduced tariff costs.
- 4.4. Societal Benefits.** The reduced consumption of electricity modelled (as a result of the behaviour changes) will also translate in reduced carbon emissions (using the standard grid emissions factor).

Distributional impact

- 4.5.** In line with the breakdown above, this CVP delivers benefits for:
- Customers who are on WPD's PSR, who receive the smart energy action plan, and therefore the associated financial savings.
 - All domestic customers in WPD's network, who benefit from the reduced carbon emissions from lower consumption levels.
- 4.6.** The chart below visualises this distribution, demonstrating the scale of costs and benefits that fall in each category.



Approach to quantifying

Costs

4.7. This CVP will cost £1 million per year.

Number of stakeholders

4.8. WPD has 2 million PSR customers and contacts 1 million of them every year, 600,000 by telephone.

4.9. The 600,000 contacted directly will be offered a bespoke smart energy plan tailored to their needs, with a proportion of them being referred to an extended partner network that will track outcomes through to completion.

4.10. It is expected that this proportion will start at 5% for the first 2 years of RIIO-ED2, rising to 10% for the remainder of the period as the network of partners develops. This expectation is built on tested data from WPD's past programmes including 'Power Up', and is linked to the time required to set up a network of trusted partners.

4.11. This translates to an estimate of 30,000 customers for the first two years, and 60,000 customers for years 3, 4 and 5.

Approach to Quantifying Financial Benefits

Calculations and Assumptions

4.12. Smart meters.

- Those that are referred to the partner network will be provided support and advice regarding smart meters, LCTs and Local Community Energy schemes.
- To model expected benefits, it was assumed that most of the support would be given in the form of smart meter advice.
- % reduction in consumption due to smart meter: 2.8%.
- Typical annual consumption values from Ofgem (Profile Class 1 - Medium) = 2,900kWh.
- Average electricity cost UK = £0.174/kWh.
 $2.8\% \times 2,900 \text{ kWh} = 81.2 \text{ kWh}$
 $81.2 \text{ kWh} \times £0.174/\text{kWh} = £14 \text{ per customer per year}$
- Assumption that benefits last for 10 years.

4.13. Power Up Trial Benefits.

- The Power Up trial carried out by WPD included an intervention related to behavioural changes. In particular, it included advice on behavioural changes to improve the thermal comfort and living environment in the home, using the smart meter to help monitor changes in behaviour (such as control of mould and damp and to reduce household energy consumption where possible).
- The trial led to £55,854 in benefits for this intervention, across 625 people:

$£55,854/625 = £89.40$ per person.

- We assume that the reduction in consumption is already included in this figure, so we will deduct it to avoid double counting:

$£89.40 - £14 = £75.40$ per person.

- Assumption that benefits last for 5 years.

Calculation Factors

Smart meters.

- Success: 100%, it is assumed that all those that are referred to the partner network will receive the benefits.
- Drop off: 0%, since we don't expect the benefits to reduce over time as they are related to hardware (a smart meter) rather than advice.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits wouldn't be achieved without WPD's activity.
- Optimism Bias: 10%, since proxy for smart meter reduction is from 2016.

Power Up Trial.

- Success: 100%, it is assumed that all those that are referred to the partner network will receive the benefits.
- Drop off: 100%, since we don't expect the benefits to extend further than one year.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits wouldn't be achieved without WPD's activity.
- Optimism Bias: 0%, since proxy used is recent.

Sources

- Savings per customer: Power Up Trial WPD.
- % reduction in electricity consumption from smart meter use: DBEI, Smart Meter Rollout Cost-Benefit Analysis Part II - Technical annex (2016).
- Average consumption: Ofgem website, Typical Domestic Consumption Values (<https://www.ofgem.gov.uk/gas/retail-market/monitoring-data-and-statistics/typical-domestic-consumption-values>).
- Average electricity cost: DBEI, Average variable unit costs and fixed costs for electricity for UK regions Annual Data 2020 (2021).

Approach to Quantifying Societal Benefits

Calculations and Assumptions

- % reduction in consumption due to smart meter: 2.8%.

- Typical annual consumption values from Ofgem (Profile Class 1 - Medium) = 2,900kWh.
- Average electricity cost UK = £0.174/kWh
 - $2.8\% \times 2,900 \text{ kWh} = 81.2 \text{ kWh}$.
- Carbon prices and electricity conversion factors taken from Ofgem CBA Template for each year.
- Benefits from carbon savings add up to £1.9 million over 10 years (non-discounted).
- Assumption that benefits last for 10 years.

Calculation Factors

- Success: 100%, it is assumed that all those that are referred to the partner network will receive the benefits.
- Drop off: 0%, since we don't expect the benefits to reduce over time.
- Attribution: 0%, since the initiative will be funded and delivered by WPD.
- Deadweight: 0%, since the benefits wouldn't be achieved without WPD's activity.
- Optimism Bias: 10%, since proxy for smart meter reduction is from 2016.

Sources

- % reduction in electricity consumption from smart meter use: DBEI, Smart Meter Rollout Cost-Benefit Analysis Part II - Technical annex (2016).
- Average consumption: Ofgem website, Typical Domestic Consumption Values (<https://www.ofgem.gov.uk/gas/retail-market/monitoring-data-and-statistics/typical-domestic-consumption-values>).
- Average electricity cost: DBEI, Average variable unit costs and fixed costs for electricity for UK regions Annual Data 2020 (2021).
- Carbon prices and electricity conversion factors: Ofgem CBA Template v5.0.

Social Value – Next steps

4.14. The results shown in this document represent the best estimates of the benefits that will be achieved through this CVP at this time. In preparation for the final submission, we will review and share these results internally to determine if any changes need to be made to strengthen our benefit calculations. The next steps in social value analysis include:

- **Tracking against plan:** As delivery plans are finalised, we will ensure that the benefits modelled are tracking against the most up to date plans.
- **Testing assumptions:** Socialise the benefits modelled internally to ensure that assumptions used are still valid and reasonable as more specific planning takes place.
- **Update values:** Where required and possible, find better estimates for values used in initial benefit modelling.

5. Stakeholder support

Feedback from stakeholders

- 5.1. We have engaged closely with stakeholders throughout the development of our business plan to make sure their needs and preferences are reflected. We set out in Supplementary Annex 3: *Giving customers a stronger voice - Enhanced engagement* and Supplementary Annex 4: *Our commitments* how we have engaged with stakeholders and how this has helped to shape the plan. The specific feedback we received from stakeholders that is relevant to this proposal is set out below.
- 5.2. We asked stakeholders what they thought about our idea to proactively contact over 2 million PSR customers to remind them of the services we provide and update their records. Whilst 41% of stakeholders favoured achieving '40% via direct telephone calls', the majority of stakeholders voted for WPD to go further. There was no consensus on the precise level so WPD selected the mid-point option of contacting 60% of customers.
- 5.3. There was almost unanimous support for the commitment to take a leading role in a coordinate approach with a range of industry participants to share best practice and co-deliver schemes to ensure vulnerable customers are not left behind by the smart energy transition, with 99% support for this idea. In addition, community energy stakeholders highlighted the opportunity to fund collaborations to specifically support vulnerable customers.
- 5.4. Furthermore, we asked for stakeholder views in relation to specifically reaching out 600,000 PSR customers and offering a bespoke smart energy action plan each year, as proposed in this initiative. Around 97% of stakeholders backed our idea of developing a model to identify the capabilities of vulnerable customers to participate in a smart, low carbon future and 47% also supported the commitment to offer 60% of PSR customers with specific support and education.

Supporting our Business Plan

- 5.5. Our Business Plan for RIIO-ED2 sets out our commitment to meeting the needs of our customers and network users as one of the three main areas of action for RIIO-ED2. This initiative relates to the following core Business Plan commitment.

Meeting the needs of our consumers and network users

Core Commitment 10	<i>600,000 Priority Service Register customers to be offered a bespoke smart energy action plan each year.</i>
Core Commitment 6	<i>Proactively contact over 2 million Priority Service Register customers once every two years (with 60% via direct telephone call) to remind them of the services we provide and update their records</i>
Core Commitment 9	<i>Support 113,000 fuel poor customers to save £60 million on their energy bills over RIIO-ED2.</i>

**Wider
commitment**

Take a leading role in a coordinated approach with a range of industry participants (including funding for collaborations with community energy stakeholders) to share best practice and co-deliver schemes to ensure vulnerable customers are not left behind by the smart energy transition

- 5.6.** Providing the service that our customers expect and deserve is key for us. As part of this specific commitment, we envisage that all our customers will be on board in the transition towards a cleaner energy system, ensuring no one is left behind. This initiative will provide a clear example of WPD supporting some of our most vulnerable customers to embrace this transition, further strengthening the core commitments 6 and 9.

6. Accountability for delivery

What WPD proposes if outputs are not delivered

- 6.1.** We are committed to delivering this proposal for our PSR customers, proactively engaging with them throughout, so the benefits set out above can be realised. We intend to make sure that the scheme is a success, including through taking actions to ensure that our staff are appropriately trained and supported in delivering the service, and that tailored advice is provided via a bespoke assessment tool designed specifically for this purpose.
- 6.2.** If for any reason we are unable to deliver our commitment, we propose to:
- Return a proportionate amount of any associated CVP reward under the business plan incentive to ensure that consumers do not pay for something that they have not received; and
 - Help PSR and other vulnerable customers in other ways to ensure that they are best supported through the energy transition.
- 6.3.** We intend to engage with Ofgem to discuss how this may best be implemented in RIIO-ED2.

7. Eligibility checklist

Item	Description
Relevant CVP area (as per <i>Ofgem's RIIO-ED2 Business Plan Guidance</i>)	<ul style="list-style-type: none"> Proposals that demonstrate approaches to providing services to vulnerable consumers that clearly go beyond the baseline expectations Proposals that exceed the baseline expectations set out for Environmental Action Plans.
Does this proposal entail new activities vs RIIO-ED1?	<p>✓ Yes – see section 3</p> <p>This is not an activity we have undertaken before.</p>
Does this proposal go beyond BAU activities?	<p>✓ Yes – see section 3, from paragraph Error! Reference source not found.</p> <p>Our current activities in this area are focused on providing relevant support and information to vulnerable and PSR customers through the appropriate channels, but do not include providing these customers with a bespoke advisory support service.</p>
Does this proposal exceed RIIO-ED2's baseline expectations?	<p>✓ Yes – see section 3, from paragraph Error! Reference source not found.</p> <ul style="list-style-type: none"> Baseline expectation for vulnerable customers account for WPD making sure that uses referral channels and provides signposting support to take vulnerable customers on board as part of the energy transition process. WPD would exceed baseline expectations for vulnerable customers, as this initiative entails proactively engaging with these vulnerable customers to guarantee they receive appropriate advice and would follow up with those customers on the adoption of this advice. Baseline expectations refer to providing support to vulnerable customers without specifying any specific minimum targets. Through this initiative, WPD is committing to reach out to 60% of the PSR customer base, which shows an extensive commitment across the whole PSR client base. Adoption of greener systems by our customers such as EVs and LCTs does not relate to our Business Carbon Footprint. Hence, any actions supporting the reduction of customers' carbon footprint should be understood as beyond baseline expectations for EAPs.
What additional value does this proposal provide to customers?	<p>✓ Meets Ofgem's criteria – above £3 million threshold of net benefits.</p> <p>In particular, this CVP proposal brings £20.4 million of additional value to customers over a 5-year period – see section 4 for full detailed explanation.</p>

8. Appendix: Joint Social Value Framework

- 8.1. During working groups in early 2020, all six DNOs, alongside Ofgem and key consumer groups discussed the (quantitative) measurement of social value, and the Customer Value Proposition (CVP) as part of the business plan incentive.
- 8.2. Under GD2, the four GDNs used different methodologies, values and reporting structures which led to results that are hard to compare. To prepare for the RIIO-ED2 CVP process, and for changes to the SECV incentive, DNOs decided to develop a common approach to measuring social value a consistent mechanism that would allow for straightforward assessment and comparison.
- 8.3. To meet the DNOs' and Ofgem's requirements, the common approach needed to:
- Provide robust, consistent measurement of all social benefits DNOs deliver through their services.
 - Deliver a framework for DNOs to measure their CVP values in 2021.
 - Act as an ongoing solution – a framework applicable for the full RIIO-ED2 period.
 - Drive innovation and ambition in the social value space.
- 8.4. To deliver against this need, the joint social value framework was created. In line with the Spackman approach, the Treasury's Green Book, the framework provides a structure through which the DNOs will deliver values that are consistent, comparable, and conservative. The framework includes:
- Standard values (from a DNO-specific proxy bank).
 - Data quality guidelines.
 - A set calculation template.
 - Common figures that should be reported (as seen in **Section 4**).
- 8.5. This framework was tested throughout its development, agreed with consumer bodies and shared with Ofgem in December 2020 – with the framework referenced in Ofgem's business plan guidance.
- 8.6. WPD has had the framework independently applied to each of their CVP proposals, ensuring that appropriate values and assumptions are applied. This provides confidence that the values presented in this document are a conservative estimate of the value generated.



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