



Consumer Value Proposition for the RII0-ED2 price control period

CVP-7: Deliver an annual £1 million 'Community Matters' Fund, funded entirely by shareholders, to achieve positive community outcomes in relation to vulnerability, environment and education.

Version Control

Issue	Author	Reviewer	Issue date
v 1.0	Alex Wilkes External Affairs Manager	Mark Shaw RIIO-ED2 Business Plan Manager	01/07/2021
v 1.1			Click or tap to enter a date.
v 1.2			Click or tap to enter a date.
v 1.3			[Publish Date]

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1. Summary

**Supporting
our local
communities**

which rely on us to
deliver the services
they need

**300,000
vulnerable
customers**

to be supported
across our regions

CVP-7

Deliver an annual £1
million 'Community
Matters' Fund,
funded entirely by
shareholders

**1,000 staff
volunteering
days**

for each year in
RIIO-ED2

**£69.3 million
of benefits**

across RIIO-ED2,
based on data from
previous projects
funded by WPD

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-7: Deliver an annual £1 million 'Community Matters' Fund, funded entirely by shareholders, to achieve positive community outcomes in relation to vulnerability, environment and education.***

What this Customer Value Proposition includes

- 2.6. Supporting vulnerable customers is a key priority in our Business Plan. We have done this throughout the COVID-19 pandemic by launching the 'Community Matters' fund, and we remain committed to helping our most vulnerable customers overcome their financial hardship.
- 2.7. This document sets out how this proposal goes beyond our core commitments covering the social contract with our customers, by enabling environmental and societal benefits to 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. WPD has a vital role to play in supporting our vulnerable customers. We understand this and have actively worked with partner organisations during the RIIO-ED1 period to help ensure that all of our customers receive the support that they need.

3.3. WPD is strongly committed to leading the way in the transition towards a greener, more sustainable energy distribution industry. And we want this to be inclusive, not leaving anyone behind in the process.

3.4. In this context, WPD wants to make a difference in the local communities it serves. Through the initiative set out here, our shareholders are proud to commit themselves to invest £1 million from their own funds to achieve positive community outcomes in relation to vulnerability, education and environment.

What we are proposing

3.5. This initiative aims to support 300,000 vulnerable people in various communities across our region. This would be achieved through an ad-hoc contribution from our shareholders. To back this activity, this proposal also entails establishing a volunteering scheme encouraging staff to volunteer at local community projects.

3.6. WPD proposes a programme of interventions in certain areas to lock benefits for local communities, particularly for vulnerable customers and for the environment. These areas cover the following:

- **STEM.** Activities aimed to encourage more participation in science, technology, engineering and maths and the future career opportunities the subjects can offer.
- **Diversity.** Activities aimed to encourage diverse workforces and inclusivity for all.
- **Safety.** Activities aimed to encourage people to stay safe when working and carrying out leisure activities.
- **Low carbon and energy efficiency.** Activities aimed at reducing carbon emissions and energy use to support a more sustainable future and Net Zero.
- **Vulnerability.** Activities aimed at looking after those who most need help, essentially those that would be classed as vulnerable.

3.7. Detailed programme of activities planned under each of the intervention areas described in paragraph 3.6 are set out in Error! Reference source not found..

Table 1. Programme of activities delivered through CVP-7

Areas of intervention	Activities planned
STEM	<ul style="list-style-type: none"> Recruitment and training of STEM ambassadors across a range of sectors and organisations, <i>i.e. enables opportunities to work with schools, mentor, careers advice, etc.</i> Supporting wider STEM education activities, <i>e.g. more STEM resources in schools; develop a WPD online resource offering; Duke of Edinburgh initiatives; Scouts/Guides education packages.</i> Green power initiatives and technology installations in schools and community centres.
Diversity	<ul style="list-style-type: none"> Funding for skills training packages. Mentoring services. Innovation initiatives to encourage diversity in the workplace.
Safety	<ul style="list-style-type: none"> Community defibrillators. Improving access to local safety centres. Expansion of local safety centre education packages and outreach. First aid training and resource packages. Expert training packages for key groups working in and around the electricity network, <i>e.g. farmers and construction.</i>
Low carbon and energy efficiency	<ul style="list-style-type: none"> Community advice services. Conservation activities, such as tree planting, biodiversity and park renovations. Innovation initiatives to remove barriers to participate in a low carbon future, <i>e.g. support for disabled drivers to access electric vehicle charging.</i>
Vulnerability	<ul style="list-style-type: none"> Home deliveries for the socially isolated. Befriending services. Meal support. Improving online and face-to-face access services for organisations supporting vulnerable customers. Priority Service Register additions. Fuel poverty alleviation services.

3.8. To be able to deliver these activities, WPD proposes to establish a volunteering scheme encouraging our staff to volunteer at local community projects. As a clear commitment of our support for this, we will allocate 1,000 staff volunteering days every year during RIIO-ED2.

3.9. According to the criteria set out by Ofgem in relation to the submission of CVP initiatives, this initiative would sit under the category of “*Proposals that demonstrate approaches to providing*

services to vulnerable consumers that clearly go beyond the baseline expectations” in relation to the specific support to be provided to users in deprived areas.

- 3.10.** Beside this, the initiative may also be classified under “*Proposals that exceed the baseline expectations set out for Environmental Action Plans*” due to the expected outcome of reducing the carbon footprint of entities other than WPD.

How our proposal delivers beyond expectations

How WPD is doing something different to BAU activities

- 3.11.** WPD’s current activities in this space are focused on providing relevant support and information to vulnerable and PSR customers through the appropriate channels. To the extent WPD may have delivered initiatives with similarities to those proposed here, this CVP goes beyond any past activity, as all costs will be met by shareholders.
- 3.12.** This initiative goes one step beyond these duties. It entails WPD providing additional support to their most vulnerable customers through a dedicated series of interventions, such as the development of WPD online resource offering to support wider STEM activities and the provision of expert training packages for key groups working in and around the electricity network, among others activities described in Error! Reference source not found..

How WPD will go beyond RIIO-ED2 baseline expectations

- 3.13.** Baseline expectations for vulnerable customers and in relation to our Environmental Action Plan are set out in the RIIO-ED2 business plan guidance.
- 3.14.** Baseline expectations for understanding new forms of vulnerability include expectations 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.
- 3.15.** 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 Plan and will support reducing the community carbon footprint by carrying out a tree planting programme designed to mitigate our society’s environmental impact.
- 3.16.** This CVP initiative goes beyond these baseline expectations for the following reasons:

- 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 involves support for wider issues such as community support activities for vulnerable customers, i.e. home deliveries, and facilitating mental health programmes for the wider community.
- Promotion of tree planting and other similar initiatives does not relate to our Business Carbon Footprint. Hence, any actions supporting the reduction of communities' carbon footprint represent activity beyond baseline expectations for EAPs.

Our delivery plan

- 3.17.** WPD has a clear understanding of what success will look like under this initiative. Success will be assessed against the following performance measures:
- **Full investment of budget allocated every year:** £1 million to be spent every year within RIIO-ED2.
 - **Delivery of initiatives across all five areas as per programme of activities:** ensure the activities delivered cover all the areas defined in Error! Reference source not found..
- 3.18.** We would dedicate a **£1 million** annual budget for this initiative.
- 3.19.** This initiative would start from Year 1 of the next Price Control period (i.e. from 2023) and it would be carried out every single year within the RIIO-ED2 period.

4. Benefits generated by our proposal

Results of quantification

5 and 10-year results

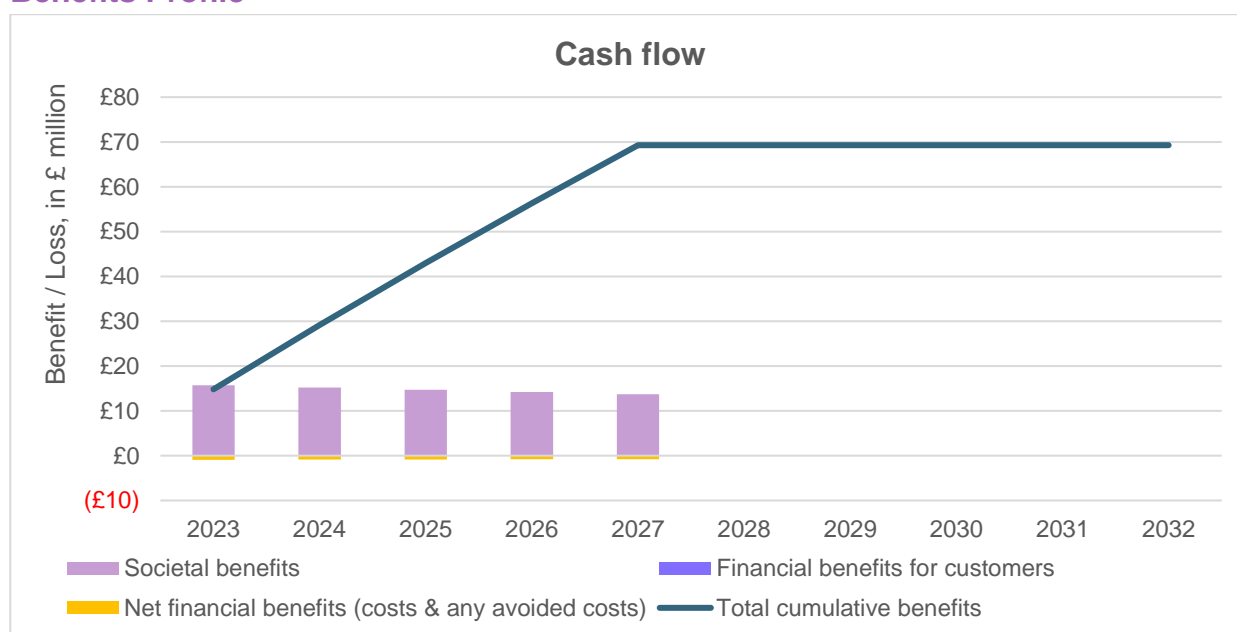
4.1. In line with the joint social value framework, agreed with the five other DNOs and shared with Ofgem in 2020, we have modelled the benefits of this CVP over both a 5 and 10-year appraisal period. More detail on the joint social value framework can be found in Section 8.

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	£73,505,925.15	£73,505,925.15
NPV	£69,280,674.53	£69,280,674.53
SROI	£16.40	£16.40

Benefits Profile



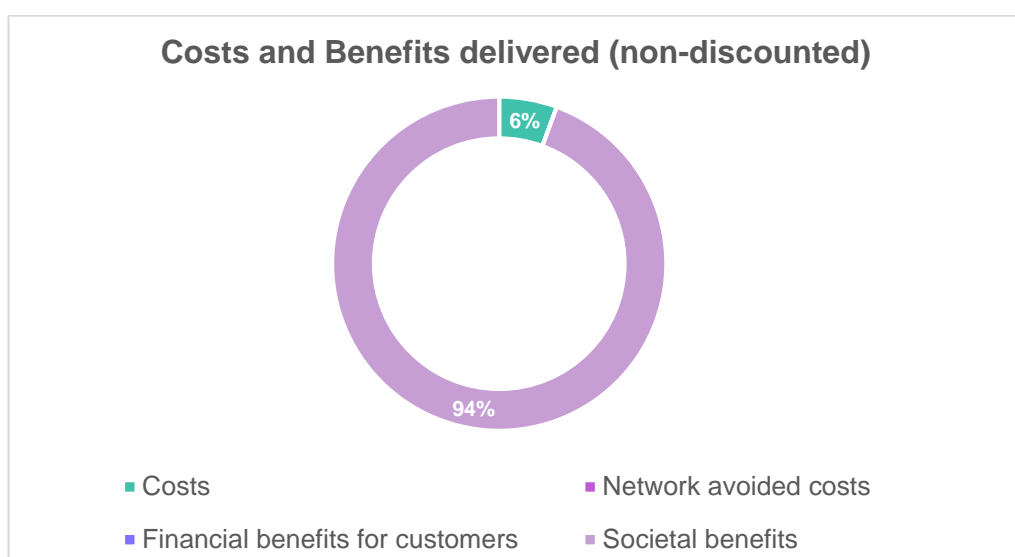
¹ As per the discounting applied to all costs and benefits, this figure shows the present value of costs in 2020/21 prices. The values described in the costs section below are expressed in nominal values, i.e. the actual £ prices. For this CVP, the total undiscounted cost is £5 million.

Breakdown of Benefits

- 4.3. Societal Benefits.** Past data from projects and support funded by WPD was used to determine an average gross return per pound spent that could be used to apply to the total amount to be invested per year.

Distributional impact

- 4.4.** In line with the breakdown above, this CVP delivers benefits to:
- Vulnerable customers who will receive support as part of this CVP.
 - Communities within WPD's regions, who will benefit from the initiatives delivered.
- 4.5.** The chart below visualises this distribution, demonstrating the scale of costs and benefits that fall in each category



Approach to quantifying

Costs

- 4.6.** WPD's cost for this CVP is £1 million per year, funded entirely by shareholders.

Number of stakeholders

- 4.7.** At this stage, there is no information of the specific initiatives or projects the money will be invested in. To model the benefits, we calculated an average gross return per pound spent, and therefore we used the planned yearly investment as 'stakeholders' in the model.

Calculations and Assumptions (Average gross return).

- 4.8.** A sample of 101 initiatives funded by WPD in 2020 was categorised according to the type of initiative. Those with the biggest percentage were modelled to obtain the benefits obtained in the year of investment. We also considered a tree planting initiative that has been done in the past few years.
- Home Deliveries: 101 examples of grants awarded in 2020 were categorised, 27 of them related to support for home deliveries, with an amount granted equal to £69,150 and benefitting 16,838 people.
 - Assumed every person that benefitted got 2 deliveries
 - Cost per delivery = £4
 - Savings per person = £8
 - Meal Support: 101 examples of grants awarded in 2020 were categorised, 31 of them related to meal support or food banks, with an amount granted equal to £82,912 and benefitting 14,503 people.
 - Assumed every person that benefitted got at least one meal.
 - Meal cost = £6.50 per person.
 - Online Support: 101 examples of grants awarded in 2020 were categorised, 15 of them related to online support, with an amount granted equal to £57,252 and benefitting 3,229 people.
 - Assumed every person got 1 month of online support.
 - Annual cost of loneliness = £600/person/year.
 - Benefits from one month of support: $600/\text{person/year} \times 1 \text{ year}/12 \text{ months} = £50/\text{person}$.
 - Mental Health Support: 101 examples of grants awarded in 2020 were categorised, 7 of them related to mental health, with an amount granted equal to £6,678 and benefitting 15,776 people.
 - Assumed every person got 30mins of mental health support.
 - Cost of counselling session = £55/hour.
 - Benefits from 30mins support: $£55/\text{hour}/2 = £27.50 \text{ per person}$.
 - Tree Planting: WPD spent £4,000 in planting 3,000 trees last year.
 - Assumed as if all trees planted in Year 1 and benefits from Year 1.
 - Carbon sequestered per tree over 50-year period = 0.1574 tonne CO₂e or 3.15 kg CO₂e/tree/year.
 - $3000 \text{ trees} \times 3.15 \text{ kg CO}_2\text{e/tree/year} = 9.5 \text{ tonne CO}_2\text{e per year}$.
 - Assumption benefits last for 10 years.
- 4.9.** The gross return per pound spent was obtained for each category and a simple average obtained to be used as the proxy for this CVP.

- Home Deliveries: Returns gross benefit of £2.09 per pound spent.
- Meal Support: Returns gross benefit of £1.18 per pound spent.
- Online Support: Returns gross benefit of £3.17 per pound spent.
- Mental Health: Returns gross benefit of £76.50 per pound spent.
- Tree Planting: Returns gross benefit of £1.30 per pound spent.
- **Average = £16.85 per pound spent.**
- For simplification, benefits were classified as societal benefits.

Calculation Factors

Home Deliveries:

- Success: 100%, it is expected all benefitted from at least two deliveries.
- Drop off: 100%, we only modelled the benefits for the same year of investment.
- 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: 5%, based on Proxy Bank.

Meal Support:

- Success: 100%, it is expected all benefitted from at least one meal.
- Drop off: 100%, we only modelled the benefits for the same year of investment.
- 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: 5%.

Online Support:

- Success: 100%, it is expected all benefitted from at least one month of support.
- Drop off: 100%, we only modelled the benefits for the same year of investment.
- 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%, based on Proxy Bank.

Mental Health Support:

- Success: 100%, it is expected all benefitted from at least one 30 mins of support.
- Drop off: 100%, we only modelled the benefits for the same year of investment.
- 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: 15%, based on Proxy Bank.

Tree Planting:

- Success: 100%, it is expected all trees planted will provide the estimated carbon benefit.
- Drop off: 0%, we assume benefits from trees planted will continue 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%, given the generalisations regarding type of tree.

Sources

- Cost of delivery: SROI Proxy Bank.
- Cost of meal: Age UK Meal Delivery Service.
- Cost of loneliness: SROI Proxy Bank.
- Cost of one hour of counselling: SROI Proxy Bank.
- Carbon sequestered per tree: UK Forestry Commission Carbon Lookup Tables.

Social Value – Next steps

4.10. 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.
 - The average gross return per pound spent will be refined based on an improved estimation of the categories in which the money will be spent and the weight that will be applied to each.
 - We will also look to understand the additional value generated by providing funds to the neediest causes within society, through grants that we know anecdotally provide greater value through flexibility than some structured programmes.

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. When consulted about our social contract commitments, stakeholders expressed support for our staff to be encouraged to volunteer for initiatives that enable them to share their skills. Among the ideas discussed, these included pro-bono activities and social involvement with educational institutions such as schools and universities with the aim of promoting interest in the built environment, energy and engineering topics.
- 5.3. In response to our Business Plan consultation, the greatest proportion (44%) supported the ambition level linked to the 'Community Matters' fund, i.e. dedicating £1 million every year, and 46% of surveyed end-user customers agreed. Some stakeholders expressed reservations about whether it was appropriate that customers' money should be given to activities of this nature, which has led us to rescope the commitment so that it will be funded entirely by shareholders and therefore at no cost to customers.
- 5.4. In addition to that, a very significant proportion of stakeholders (around 63%) supported our idea of allocation 1,000 volunteering days per year for WPD staff to support local community initiatives associated with vulnerability and environmental initiatives.

Supporting our Business Plan

- 5.5. In relation to this CVP initiative, WPD has identified the specific stakeholder priorities that would be addressed by this proposal. As stated in our Business Plan for RIIO-ED2, we are committed to meet 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 commitments made in our plan.

Meeting the needs of our consumers and network users

Core Commitment 17	<i>Support local people in our communities via an annual £1m 'Community Matters' fund, funded entirely by shareholders at no cost to customers.</i>
Core Commitment 18	<i>Deliver 1,000 volunteer days per year for WPD staff to support local community initiatives associated with vulnerability and environmental initiatives, with annual reporting in WPD's Social Contract of the positive impacts achieved.</i>

6. Accountability for delivery

What WPD proposes if outputs are not delivered

- 6.1.** We are committed to delivering this proposal for our vulnerable customers, proactively engaging with them throughout, so the benefits set out above can be realised. If for any reason we are unable to deliver our commitment to the shareholder support to the community, we propose to:
- Return any associated CVP reward under the business plan incentive on a proportionate basis to ensure that consumers are protected and do not pay for something that they have not received; and
 - Help vulnerable customers in other ways to ensure that they are best supported through the energy transition.
- 6.2.** 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 a new programme of activities that we have not 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, as well as reducing our business carbon footprint, but do not include providing vulnerable customers with social support and engaging in further community activities.</p>
Does this proposal exceed RIIO-ED2's baseline expectations?	<p>✓ Yes – see section 3, from paragraph Error! Reference source not found.</p> <p>Our proposed programme of activities provides additional support to their most vulnerable customers through a dedicated series of interventions, which go beyond the baseline expectation of providing relevant support and information to vulnerable and PSR customers through the appropriate channels.</p>
What additional value does this proposal provide to customers?	<p>✓ Meets Ofgem's criteria – above £3 million threshold of net benefits.</p> <p>This CVP proposal brings £69.3 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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