



Part Two Submission

Stakeholder engagement outcomes



WESTERN POWER DISTRIBUTION
KEEPING THE LIGHTS ON
Distribution company
100% renewable energy

Year Priorities - outputs for us to deliver

Customer Service	Reliability	Network Resilience
Operational & New Services	Significant Products	White Space Expansion
Build & Expand	Cyber Resilience	Cost Efficiency

Dawn Broderick
WPD

Welcome

Western Power Distribution (WPD) is the Distribution Network Operator (DNO) responsible for delivering electricity to eight million customers across the East and West Midlands, South West England and South Wales.

This is Western Power Distribution's **Part Two submission** to Ofgem's Stakeholder Engagement & Consumer Vulnerability (SECV) Incentive for the regulatory year 2018/19.

2018/19 is the fourth year of the eight year Business Plan period called RIIO-ED1.

This stands for:

Revenue = Incentives + Innovation + Outputs (Electricity Distribution 1)

It is the regulatory framework set by Ofgem and is designed to drive clear outcomes and benefits for consumers, and provide companies with strong incentives to step up and meet the challenges of delivering a low carbon, sustainable energy sector.

Ofgem's SECV Incentive is an annual scheme, which encourages network companies to engage proactively with stakeholders in order to anticipate their needs and deliver a consumer focused, socially responsible and sustainable energy service.

WPD's submission to this incentive is divided into three parts:

Part 1: WPD's stakeholder engagement and consumer vulnerability strategies and key evidence (demonstrating that we meet Ofgem's minimum requirements).

Part 2: Key outcomes resulting from WPD's stakeholder engagement activities.

Part 3: Key outcomes resulting from WPD's consumer vulnerability activities.

Contents

1

Introduction

2

Stakeholder engagement strategy

3

Measuring social value

4

Core engagement programme

6

Energy system transformation

9

Delivering local energy plans

10

Building a social contract



1. Introduction

Stakeholder engagement is never something you conclude or complete - it is a live, enduring process. It is embedded in the way WPD operates and is fundamental to every strand of our decision making.



A time of considerable industry change

WPD provides a vital public service - we keep the lights on for eight million homes and businesses. We are also facilitating the UK's shift to a low carbon future in a timely, cost-effective, customer-friendly way. While Business Plan cycles provide structure, changes in customer behaviour, concerns and priorities are not bound by these periods.

I am personally involved - in the last year I have led WPD's Customer Collaboration Panel and Connections Steering Group, attended WPD's new RII0-ED2 Customer Engagement Group (CEG), facilitated discussions at our roadshow of annual workshops and headed bilateral engagements with the Department of Business, Energy and Industrial Strategy (BEIS), National Grid and MPs. Anyone can read a report after an event and claim to know what stakeholders want - but it is far more effective to hear feedback first hand. You pick up the nuances of people's perspectives, the earnest and passionate nature of their views, and their willingness to compromise to balance the interests of all customers. It leaves you in no doubt of the force for good WPD is when we get things right and the frustrating impact we can have if we don't.

At a time of increasing distributed generation, energy storage, electric vehicles (EV) and heat pumps connecting to the network, the shift to become a Distribution System Operator (DSO) is the biggest transformation our industry has faced. There are technical considerations - as engineers we must convert the network to enable real-time, dynamic control, to allow better utilisation of existing capacity and avoid unnecessary investment. However, above all, we must understand the impacts for customers and local communities. The way customers use WPD's network is changing, so we must work with them to ensure the new services and products we develop are locally-focused, customer friendly, and build trust in our activities. Identifying our stakeholders, engaging them proactively, and tailoring our methods to suit them, are the first steps.

Our approach to stakeholder engagement

As Chief Executive, it must start with WPD's culture. Stakeholder engagement is not something you do at one-off, select times; it is an embedded, cyclical process. Nor is it the sole responsibility of a central team; while WPD's Stakeholder and Social Obligations Manager coordinates our activities and proposes the strategy we work to, I insist that engagement is the responsibility of everyone working at WPD. Throughout this submission you will find examples of staff from across WPD meeting with stakeholders directly to understand their needs.

Challenging feedback sets our ambition

I want WPD to be the best. We never aim for second place, because customers never ask us to provide services that are "just about good enough". They demand we are consistent, ambitious, efficient and trustworthy. Everyone at WPD recognises you can't be any of those things without a clear understanding of what stakeholders want. We seek feedback that is challenging and not always easy to hear, but drives you to be better. We avoid talking shops at all costs - we consult because we are open to changing and improving our approach.

Engagement must lead to action

WPD does not view the activity of engagement as an output. We aim to act on feedback promptly and decisively. We collaborate with stakeholders as we devise solutions and improvements and then return to them to measure the impact of our actions. We then start the cycle again by reviewing their priorities and needs periodically.

Stakeholders tell us that this approach is working: I am exceptionally proud that WPD has delivered 290 outputs in the last year alone as a result of engagement with over 35,000 stakeholders via around 500 events.

Phil Swift,
WPD Chief Executive

This 'Part Two' submission



Graham Halladay
Operations Director

My teams and I are responsible for WPD's day-to-day operations; responding to faults, providing connections, inspecting and maintaining

the network and delivering replacement and upgrade schemes to guarantee the network is in optimal condition. To ensure we're always considering the most effective investments for our customers, I've recently led the reorganisation and separation of DSO activities (strategy, delivery and innovation programmes) into a separate team. This is enabling us to quickly roll-out flexibility services and consider smart solutions to optimise existing capacity before we build new networks.

Engagement is fundamental to all of these tasks. For example, myself and my teams have held sessions at our depots to discuss local network investment with a range of local stakeholders as well as facilitated discussions at region-wide workshops to gauge priorities for the next 5-10 years. We've responded quickly to concerns regarding EVs by hosting the first ever DNO events for local authorities and we've engaged a huge 18,200 stakeholders on our DSO action plan alone, leading to the effective roll-out of flexibility services well ahead of any other network provider. I personally led a number of these sessions, including a new Dragon's Den style innovation showcase event to engage key policy makers, including BEIS and MPs, on various components of the DSO transition.

Our focus in 2018/19

We always engage with a clear purpose. The environment in which WPD operates is changing and our engagement has responded accordingly. As a result, our focus in 2018/19 has been to:

- **Transition quickly to become a DSO** - enabling customers to participate in new, flexible services immediately
- **Deliver localised services** - supporting the bespoke needs of regional communities we serve
- **Build trust** - at a time of greater scrutiny than ever before over the legitimacy of our operations and our costs to customers.

This submission is therefore structured around these priorities. The enduring nature of our engagement means that our submission is not just a selection of new initiatives. Where we have had success, we have embedded these projects and built on them further. Our initiatives therefore fall into two categories:



Enhanced: Where we have built on previous successes.



New: Where we have delivered innovative actions for the first time.

Key outputs we've delivered:



New Flexible Power website and map launched



Local network investment sessions at every depot enabled coordinated development plans



1.8GW network capacity released via alternative connections offers



154MW capacity unlocked by flexibility, saving £40m on reinforcement



First ever EV strategy published



Business restructured to create standalone DSO team

2. Stakeholder engagement strategy

“Continuous engagement with customers and stakeholders is vital to the operation of any top performing company. The impact of WPD’s decisions and actions can be significant; but not all stakeholders may be aware of this. It is therefore essential that we create the conditions for as many stakeholders as possible to meaningfully influence our decision-making. This starts by being proactive, using a wide range of methods to best suit the audience and make it as easy as possible for each group to share its views. We then use their insight to drive continual improvement, demonstrating a willingness to act on their feedback and co-create solutions. We have a proven track record of doing so. Afterwards we return regularly to stakeholders to ask them to hold us to account for our performance. That’s our engagement strategy in a nutshell.” Phil Swift, WPD Chief Executive

2.1 Core strategy

A consistent, effective approach

WPD’s core strategy, detailed in Part One, sets out the mechanics of how we engage. This starts with regularly refreshing our stakeholder mapping in order to identify new or changing stakeholder groups, through to reporting back to stakeholders the outputs taken as a result of their feedback to ensure we deliver the maximum positive impact. It also explains the importance of a holistic, inclusive approach, recognising that every stakeholder is different. We consider a hierarchy of different stakeholder knowledge and interest levels, and use this to identify the most effective method to engage each group.

This strategy is well-established, underpinning our engagement since 2007. It is updated every year and signed-off by WPD’s CEO, generating an action plan with clear owners, costs and intended outcomes. Crucially it undergoes detailed, independent reviews every year as part of WPD’s assessments for the Customer Service Excellence Standard and British Standard for Inclusive Services. This scrutiny benchmarks WPD’s approach across a wide range of industries and provides assurance that our strategy is as effective as possible. In 2019, an expert assessor concluded: *“The quality and scope of the annual Stakeholder Engagement Strategic Review, which includes Social Obligations, is excellent”.*

Embedded across WPD

Having a stable strategy ensures that all WPD’s staff understand and buy in to it, and recognise the role they individually have to play. It sets a framework to ensure that engagement underpins everything we do and shapes every decision we make - from specific improvement actions to major strategic choices. The consistency of WPD’s strategy must not be conflated with a lack of flexibility. It is a testament to the dynamic and adaptable nature of our engagement strategy that in the face of considerable industry change, stakeholders tell us it continues to enable us to respond quickly and decisively to address their needs.

Active, mature engagement

Taking action as a result of feedback is key to developing active relationships with stakeholders. Passive stakeholders will tend to defer to the judgement of others with perceived greater knowledge, and/or endorse proposals that are pre-defined by the company on the basis that they are the “experts”. This doesn’t drive improvement. Engagement has to be more than informing stakeholders about our plans - we work with stakeholders over a prolonged period to build understanding, trust, knowledge and confidence. This enables them to participate in a two-way consultation process. As a result we can ask more detailed questions and explore a wider range of topics, while the level of scrutiny and challenge they provide in response is greatly enhanced. This helps us to build towards the ultimate aim of “partnering” our stakeholders. This does not mean putting stakeholders at risk of capture, but asking them to go beyond identifying WPD’s priorities, to help shape and co-create the actions we take to address them. Only then can we achieve our aspiration to truly embed engagement in the way we operate.

2.2 Established principles

Six longstanding strategic principles form the foundation of WPD’s strategy. Demonstrating our strategy in action, below you will find examples of how these principles have shaped our delivery:

Engagement must lead to action

E.g. Both our RIIO-ED2 Business Plan and social contract will directly reflect feedback from stakeholders

Everyone at WPD is responsible for engagement

E.g. Local managers and planners have built relationships with regional councillors following local network investment events

Prioritise face-to-face engagement (but supplement it with a range of methods)

E.g. We now supplement our annual roadshow events with a series of webinars to ensure we reached the widest audience possible

Be fully transparent over feedback (with clear accountability for actions)

E.g. Workshop content, videos, consultation and feedback is all published online

Build long-term stakeholder relationships (enabling broader and deeper feedback on issues)

E.g. Despite claims of stakeholder fatigue across the wider industry, we welcomed back 52% of last year’s stakeholders to our roadshows

Collaborate with others in the industry (but take a lead when progress is slow)

E.g. DNOs have collaborated to undertake Willingness to Pay (WTP) research to measure the social value of our actions



2.3 Priorities for 2018/19

All engagement and decision-making must start with identifying the needs of stakeholders themselves. This should lead to consultation to co-create actions to address them, which in turn continually reviews and redefines WPD’s role. External benchmarking tells us that some companies conversely start with a predefined view of their role and seek to frame their engagement and fit stakeholder priorities within this. Our strategy is to challenge ourselves to continually improve, no matter how drastic that change may be. While the overarching framework for how we engage remains consistent, what we engage on and the methods we use to do so must continually evolve. Working with stakeholders in early 2018, including WPD’s Customer Collaboration Panel, we collected crucial feedback that has guided our efforts for 2018/19:

Focus areas (guiding our current strategy)

- Act swiftly to deliver a smart energy future, enabling customers to fully participate and benefit from DSO services
- Strengthen links to the communities we serve
- Build trust with our customers and stakeholders.

Further priorities (guiding our RIIO-ED2 preparations)

- Seek early input to develop our future Business Plan
- Continue to deliver best-in-sector performance, exceeding expectations.

It has been necessary to add a number of new ‘tactical’ principles as a result. A huge shift in the ways people use, generate, manage and plan for their energy is changing their expectations and the services they require from WPD. Our goal is to be the best DNO in the UK. To achieve this we must understand and exceed the changing expectations of stakeholders and therefore flex our engagement approach. We will:



Try new techniques to deliver insight

E.g. Valuation research (page 3), digital panels (page 4), co-creation topic surgeries (page 5)



Identify different types of stakeholders

E.g. EV charge point providers (pages 4 and 9), storage providers and aggregators (page 7)



Ask difficult questions

E.g. Technical topics like network charging (page 5), social contract and profit levels (page 10)



Follow a continual cycle of engagement

E.g. Annual review of priorities (page 4), DSO strategy and action plan built in stages (page 6)



Start by asking what customers want

E.g. Launching new flexibility services (page 7)



Reflect the diversity of our communities

E.g. local authorities conference, local network investment & community energy events (page 9)

3. Measuring social value

3.1 Our approach

Engagement can only be deemed meaningful and worthwhile if it leads us to do things differently. The 290 actions we have taken this year show that engagement is integral to the way we operate, with a demonstrable commitment to stakeholders that their input will drive change. However, we seek to go beyond this by ensuring that the actions we take are the most appropriate, to ensure we deliver maximum value to customers. First, we must therefore understand what our customers value, using proven, comprehensive and well-evolved techniques. Second, we must use this to shape our actions and expenditure to ensure they are more effective than alternatives.

The challenge

The outcomes we deliver are a combination of quantitative and qualitative. For example, the impact of our roll-out of flexibility services (page 7) are quantitative in terms of the 154MW of capacity unlocked in 2018/19 (avoiding the need to install new assets). This, in turn, can be translated into a cost saving of £40 million, against which the cost of delivery can be compared and considerable value to customers proven. However, in many cases benefits are qualitative (e.g. co-ordination with National Grid to deliver the first joint Regional Development Plans in the UK). Here, we must take additional steps to determine whether customers value the outcome sufficiently to justify the cost to deliver it.

Industry-wide collaboration for the first time

This is a challenge for all DNOs, so it makes sense to pool our knowledge and resources to address it. WPD has worked hard to devise a suitable approach to measure social value for the last four years, making refinements each year. Since 2016/17 we offered to work collaboratively with DNOs to deliver the monetary value measurement aspect of our approach, and we did so jointly with UK Power Networks (UKPN) for the last two years. This enabled us to test new approaches and carry out more extensive research than if we had acted alone. This year, for the first time, all six DNOs conducted a single research exercise. This allowed us to build on and learn from previous approaches, and crucially derive consistent values for a number of shared actions and priority areas we are all working to address with our respective regional stakeholders.

WPD's process

We worked with Price Waterhouse Coopers (PWC) to review every social value measurement technique we could find across a range of industries and countries. This revealed that a single, universally-accepted

approach to measure social value does not exist. We have therefore devised a three-pronged approach that seeks to overcome the limitations of different techniques when used in isolation, by combining them:

1.	Quantitative reporting Wherever possible express the impacts of our actions in measurable, numerical terms (see the quantified outputs in green text/boxes throughout our submissions)	2.
Monetary stated preference research Use 'Willingness To Pay' (WTP) survey methods to derive the intrinsic value customers place on a range of possible qualitative outcomes, by asking what they would hypothetically pay to see them delivered		3.
3.	Qualitative triangulation research Test and provide context behind the WTP findings, understand what's driving customers' responses and prioritisations and provide a qualitative source of prioritisation/WTP	

WTP - more detail: Working collaboratively with all DNOs to deliver stage two enabled us to survey more customers than ever before (1,216 vs 614 in 2017/18) enabling more robust values to be derived, whilst weightings applied to the survey sample for each DNO ensured the results reflect the views of GB customers overall. In total, we tested 18 potential actions we could deliver, split across five categories: 1) Customer support; 2) Vulnerable customers; 3) Resilience; 4) Smart networks; and 5) Sustainability.

While all outcomes tested were deemed to have value, this insight should not be used to justify every action we subsequently deliver to achieve them. Within a number of categories there was a considerable range in the value attributed to each action - for example, the value of DNOs supporting small businesses to improve their resilience (41p per customer, per year) while significant, was dwarfed by actions to support domestic customers ahead of power cuts (valued 6.5x higher at £2.67). WPD therefore use the findings to inform the scale of our activities, giving greatest priority to achieving outcomes customers have stated have the highest intrinsic value to them.

Triangulation - more detail: PWC's research revealed that best practice approaches use qualitative research to triangulate the results from quantitative stated preference research. Having introduced one-off focus groups to achieve this in 2017/18, in a major step forward this year, WPD worked with research experts Accent to deliver more sophisticated "deliberative" research. This involved a 60-minute workshop with customers from a wide range of

backgrounds, social grades, ages and locations, in an "uninformed" state to get their spontaneous views. Participants were then set homework to research WPD, including current performance statistics, before returning for a 120-minute workshop. This revealed a shift in customer prioritisation once customers became more informed. Uninformed prioritisation focussed on category headings that are familiar/easy to understand and have a clear end customer benefit; whereas informed prioritisation shifted to actions that have longer term impacts but were initially harder to understand (e.g. smart networks).

3.2 Values revealed

Of the 18 actions tested in total, 14 are pertinent to this Part Two submission and are shown below:

	Action	Value per customer	
		Quant.	Qual.
Customer support	1 Provide easy, quick access to information in a range of formats	£3.20 ★	★↓£1
	2 Raise awareness of the national power cut number	£2.58 ★	★↓£1
	3 Use innovative technology to enable customers with a range of communications needs to contact us	£1.14 ★	★
Resilience	4 Deliver proactive advice and support to improve the resilience of domestic customers	£2.67 ★	★
	5 Educate the general public about electrical safety	£1.32 ★	★
	6 Help organisations to become more resilient to power cuts	£0.41 ★	★
Smart networks	7 Roll-out flexibility services	£1.30 ★	★↑£2
	8 Educate customers about opportunities to participate	£0.78 ★	★↑£2
	9 Develop future energy scenarios	£0.75 ★	★
Sustainability	10 Help local authorities to understand our investment plans	£0.30 ★	★
	11 Reduce environmental impact of network activities	£1.60 ★	★↑£1
	12 Make it easier to connect distributed generation	£1.58 ★	★
	13 Help community energy schemes	£1.29 ★	★
	14 Attract young people to work in the energy sector	£0.71 ★	★↑£2

Key: ★ = High value; ☆ = Medium; ☆ = Low (but still valued)

WPD's qualitative triangulation revealed a marked difference in six areas when compared to the quantitative findings, such that customers stated the intrinsic value to them should be amended. For those areas it is therefore prudent to view the overall value as a range.

3.3 Cost benefit of our actions

This research is helping us to develop a programme with stakeholders that not only delivers service improvements, but returns maximum value to customers. The network portion of bills is agreed and won't change, but it helps us to prioritise actions, resources and expenditure, ensuring the outcomes we deliver are significantly cost beneficial. Where there is a range in potential value, we always take the lowest figure to avoid any risk of overstating the benefits. For example:

Key actions valued by customers	Value	Outcomes delivered by WPD (incl. any additional savings)	Cost	Cost benefit
Customer support Provide easy, quick access to information in a range of formats	£2.20 - £3.20 per customer	1.1m proactive contacts during power cuts. Also: • Online engagement portal launched to enable more end-user customers, who cannot attend workshops in person, to participate • Interruption Comms Hub introduced to inform customers about potentially high profile investment works via an interactive map and email alerts • Redesigned webpages for our RII0-ED1 performance reporting • 'ReciteMe', 'InterpreterNow' and 'Robobraille' features now on both WPD main and careers websites • Two-way text messaging and live webchat 24/7 • Social media channels across Twitter, Facebook and Instagram. Top rated utility via Help Handles independent analysis • Storm mode for website launched to make key information easier to access • Improved live power cut map with integrated Twitter feed	3p per customer (£199k total)	£2.17 per WPD customer
Smart networks Roll out flexibility services Educate customers about opportunities to participate	£1.30 - £3.30 per customer £0.78 - £2.78 per customer	1.8GW network capacity released via alternative connections offers; 154MW capacity unlocked via flexibility (deferring £40m reinforcement - £5 per customer). Also: • DSO Forward Plan published, committing to £25m per year spend until 2023 • DSO consultation for community energy groups • Network Flexibility Map and Flexible Power website developed to display where our network is seeking flexible solutions • Launched a new connections portal for independent connections providers • EV conferences and first ever DNO EV strategy published • Webinars on WPD's Distribution Future Energy Scenarios • Eight 'Future Flexibility Markets for Beginners' events • Various community energy guides, three new animation videos and case studies	£3.29 per customer (£26m total)	£3.79 per WPD customer

4. Core engagement programme

SUMMARY

Reach: 383

Cost: £348k

Track record:



56
OUTPUTS
OVERALL

For example:



291 actions delivered in six years through core engagement alone



Online engagement portal launched



Five stage engagement process agreed by stakeholders



First DNO to appoint Customer Engagement Group



Strategic intent: It is WPD's goal to have the industry's best stakeholder engagement programme. We will give stakeholders the opportunity to shape every aspect of WPD's business and go further than ever before - scrutinising and challenging WPD's business planning process. To be the best, WPD will get underway early - 2018/19 was the start of our engagement for RIIO-ED2 with extensive, tailored consultation to ensure our proposals are well-justified and deliver maximum benefits for customers. We need to fully understand our stakeholders' needs in order to build trust, deliver ambitious improvements, and facilitate a decarbonised future at the lowest cost.

The environment in which WPD operates is rapidly changing as we transition to become a Distribution System Operator (DSO). This presents the biggest shift in the industry's history and our planning continues to evolve in light of both technological advancements and changes in the way customers use energy. Meaningful engagement is therefore paramount to ensure we deliver the services our customers want and value. WPD's engagement is led by the staff directly responsible for acting on feedback, ensuring collaboration is with the broadest spectrum of stakeholders possible and co-created plans are embedded in the way we operate as a responsible business.



Stakeholders said: Workshops 2018: To build a truly stakeholder-led plan we must consult extensively at every stage, including establishing the priorities of stakeholders from the outset. Simply providing pre-written draft commitments for consultation is not sufficient, stakeholders want to co-create WPD's plans.

MPs and consumer groups: Just as important as what we deliver is how we do so. It is no longer enough to provide a reliable supply at a reasonable price. Customers are taking an ever greater interest in where their money is going. They care about payments to shareholders and want WPD to contribute to society and protect the environment.

Collaboration Panel and workshops: Independent scrutiny of WPD's plans will only be trusted if there is complete transparency. WPD's RIIO-ED2 Customer Engagement Group (CEG) must cover the widest breadth of expertise to enable wide-ranging, critical evaluation of WPD's Business Plan. It is also vital to strike a balance of senior, high-calibre individuals, who at the same time remain strongly "in touch" with the needs of the customers they represent.

We did:

4.1 Consult widely at every stage

Annual roadshow events see WPD's highest ever turn-out



Objective: While the six individual sessions at each event had a clear aim - with starting our RIIO-ED2 planning process the overall focus - WPD's prime objective is to be the best network company in the UK. We want the highest customer satisfaction and refuse to rest on past achievements. We must therefore retain our culture of high ambition and continual improvement. This can only be achieved by seeking frequent, detailed and challenging feedback from stakeholders.

The roadshow events are the foundation of WPD's engagement programme, setting our priorities for the year ahead. 330 stakeholders attended six events in a range of rural and large urban locations. At a time of much talk about the risk of "stakeholder fatigue" WPD saw our highest ever attendance, with 52% of 2018's stakeholders returning and joining new representatives including aggregators and EV charge point providers. They told us that WPD's track record of turning feedback into action, and focus on giving real choices to influence plans from scratch, were the main factors in their continued attendance.

Format: Short presentations from Senior Managers were followed by facilitated roundtable discussions. To reflect our customer base and ensure balanced considerations, each table contained a diverse mix of stakeholders including consumer groups, elected representatives, businesses, utilities, local authorities, academics and low carbon technology providers.

Engagement is everyone's responsibility at WPD and 52 staff members attended overall, including 36 local Distribution Managers, two Directors and our CEO. They all facilitated discussions in order to hear from stakeholders first hand,



helping to understand priorities and the resulting actions they will be responsible for delivering.

◀ Dave Hewitt, Nottingham Distribution Manager at a workshop in February 2019

Digital panels launched



WPD's strategy has always prioritised face-to-face engagement where possible, believing it enables richer discussions, in-depth exploration of a range of issues and options, and negotiation of compromise solutions. WPD's

roadshows naturally appeal to informed stakeholders with the knowledge, interest and availability to attend events in person. We work hard to ensure high levels of consumer representation, with Parish Councillors and consumer bodies bringing these perspectives, but it is essential we have the most inclusive, tailored approach possible.

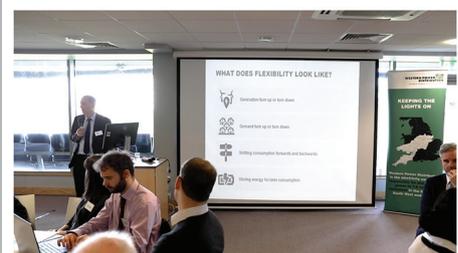


Objective: Broaden out to wider customers, the key strategic questions we discuss at our workshops, retaining the level of detail and context needed to give meaningful feedback. At all costs we will avoid inflating overall engagement numbers with high volume responses to simplistic online surveys that only enable superficial feedback.

☑ **Output (new):** Learning from the success of WPD's webinars, first introduced in 2017/18 for topic-specific consultation, we've devised an approach to broaden our roadshow discussions to wider customers. We filmed each presentation and then launched an online engagement portal where customers can watch short contextual clips before answering a series of survey questions (both voting and free-form text).

☑ **Output (new):** We promoted this via Twitter and LinkedIn, and emailed 6,000 registered stakeholders. As a result, we supplemented WPD workshops with 955 engagement responses.

Watch our Smart Future presentation video



• PDF Version of presentation

Download

Please take part in our poll

Smart future and new possibilities

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

1 2 3 4 5 6 7 8 9 10



WPD's roadshows led to 25 outputs. Examples, split by the six discussion sessions, are as follows:

1. WPD's RIIO-ED2 engagement plan

Objective: Agree WPD's approach and timetable with stakeholders.

Impact delivered:

- **New:** Agreed a five-stage engagement process, enabling stakeholders to build WPD's plan 'from scratch'
- **New:** Committed to publish two full versions of WPD's Business Plan for stakeholders to refine before a third and final version is submitted to Ofgem



2. The RIIO-ED2 framework

Objective: Discuss the outcomes stakeholders want WPD to deliver and agree how to structure them within Ofgem's new reduced categories and pre-defined output types. Ensure the Plan is clear and understandable for customers.

- **Enhanced:** Agreed two new strategic outcomes (now eight in total), including splitting our DSO commitment between 'building a smarter system' and 'ensuring all customers can participate and benefit from flexibility services'
- **New:** Agreed with stakeholders to co-create a wider pool of outputs and structure these within Ofgem's framework. WPD will deliver any that don't fit Ofgem's narrow output types as "wider commitments"



3. Priorities for RIIO-ED2

Objective: Let stakeholders start from a 'blank sheet of paper' and identify relative priorities to be addressed within WPD's Business Plan.

- **Enhanced:** Identified 16 priorities for delivery/improvement in RIIO-ED2
- **New:** Agreed to develop a greater number of outputs within the top five areas, with plans to consult on options for this in Summer 2019



4. Building a social contract

Objective: Identify how WPD can build trust and measure the extent to which we deliver services in a socially responsible way.

- **New:** Identified 15 components to be included in WPD's social contract, prioritising a commitment to transparency, especially regarding financial planning and being a responsible employer
- **New:** Confirmed that the social contract will form part of WPD's overall Business Plan, but that we will also produce a standalone document against which we can be measured



5. Smart future and new possibilities

Objective: Consult on WPD's DSO roadmap, the impact of electric vehicles (EVs), and opportunities for customers to participate in flexibility services.

- **New:** Committed to create a map illustrating how we are building a smarter network by providing examples of how customers are using offerings such as flexible power and EV charge points, for example.
- **New:** Agreed to test customers' willingness to participate in flexibility services as part of future 'Willingness to Pay' research



6. Topic-specific surgeries

Objective: Co-create detailed action plans via roundtable discussions, led by the responsible WPD Manager, on the topics of: a) Connections; b) Consumer vulnerability; c) Network charging; and d) Electric vehicles.

4.2 Expert collaboration

Customer Collaboration Panel agrees new terms



As an enduring component of WPD's engagement programme, the Customer Collaboration Panel (CCP) has been in place for 11 years. It is a permanent group of 38 expert members who represent all segments of WPD's customer-base, from large businesses to individual domestic customers. The CCP meets quarterly, led by a WPD Director. It critically reviews WPD's current performance, provides strategic steer on WPD's priorities for the future and acts as a sounding board for new ideas. To enable members to do this, the CCP is provided with full transparency regarding WPD's performance and early sight of its plans for the future.

The Panel exists to provide expert advice and opinions and to work collaboratively with WPD to devise effective solutions and improvements for customers. The CCP debates a broad range of activities - from the impact of EVs in the future, to power cut response times. Members provide steer throughout the lifecycle of a project - raising areas of customer concern; providing advice and collaborative input to help WPD devise actions to address them, and finally; reviewing the impact post-delivery and suggesting further refinements.

☑ **Output (new):** WPD appointed a new independent CCP Leader to chair member-only 'closed' sessions and coordinate with members to set agendas (WPD does not set the agenda for the CCP).

☑ **Output (enhanced):** Responding to feedback from Ofgem, we worked with the new Leader to redefine the role of the CCP, creating a new terms of reference with members and renaming the group to include "Collaboration" in the title, to ensure a clear distinction from the challenge groups Ofgem require DNOs to develop ahead of RIIO-ED2.

☑ **Output (enhanced):** As a well-established forum, it is vital to continually review membership to ensure it remains representative of new stakeholder groups and changes in customer priorities, needs and behaviours. In 2018/19 we introduced 12 new members including experts in low carbon technologies and the DSO transition, Local Enterprise Partnerships representing regional concerns, consumer representatives and wider stakeholders from key segments including businesses, utilities, charities and the health sector.



WPD delivered 24 outputs as a result of this forum. For example:

Impact delivered:

- **Enhanced:** Members produced their second assurance report on WPD's engagement process and subsequent actions, providing an independent audit of what WPD delivered
- **New:** A review of our social obligations strategy led to WPD holding a Consumer Vulnerability Conference to share best practice amongst partner agencies and launch WPD's latest work on social indicator mapping tool, which has been open-sourced on our website
- **New:** Published a suite of short videos to promote the Priority Services Register for our referral partners
- **New:** Launched an £80k Energy Affordability Fund Competition
- **New:** Conducted a review of the diversity of WPD's workforce and gender pay gap, which influenced a new WPD's careers website and recruitment process, aiming to attract more applications from women and candidates from ethnic minority backgrounds



4.3 Disruptive challenge

Going beyond Ofgem's minimum requirements



Ofgem has set expectations for "Enhanced Engagement" in RIIO-ED2, requiring DNOs to design, establish and resource Customer Engagement Groups (CEG) to scrutinise their Business Plans and the quality of engagement undertaken to create them. The CEG will provide assurance to Ofgem that WPD's Business Plan reflects and addresses the needs of customers. The creation of the CEG is a minimum requirement under the 'Enhanced Engagement' guidance for RIIO-ED2. As such the action to create a CEG is not for discussion in this incentive scheme, but the way in which, driven by stakeholder feedback, WPD has sought to go significantly beyond the minimum requirements, is.

Engagement with a number of transmission and gas companies (whose regulatory timetable is two years ahead of DNOs) revealed that different processes were followed for the identification of the independent Chair and member recruitment, with internal company-led shortlisting common. Consultation at WPD's CCP revealed that stakeholders expected a more independent, transparent process for WPD's CEG to have maximum credibility.

☑ **Output (new):** WPD appointed an external recruitment agency with expertise in CEO and Non-Executive Director recruitment, resulting a long-list of 46 Chair candidates. We then engaged an independent expert with first-hand experience fulfilling the role in the water sector (Chair of Welsh Water's Customer Challenge Group for PR19) to conduct a stand-alone, parallel evaluation of candidates (using detailed, weighted scoring against the role criteria) alongside WPD's own.

☑ **Output (new):** In line with the CCP's review of WPD's overall workforce diversity, WPD followed unconscious bias rules when recruiting the CEG Chair - with all personal details including name, age and gender redacted.

☑ **Output (new):** In order to achieve the most extensive review of WPD's Business Plan possible, stakeholders told us it was essential to start early. In November 2019 WPD was the first DNO to appoint its Independent Chair.

☑ **Output (new):** Stakeholders were clear that WPD's group must be wide-ranging, as groups as small as seven members elsewhere in the industry were not sufficient. Workshops helped WPD identify 24 areas of expertise which members were compared across using a detailed matrix-based approach. WPD appointed a recognised expert in the area to assist with benchmarking membership, terms of reference, role descriptions, conflicts of interest policies and on-boarding plans across Water, Gas and Aviation to identify and redefine what is best practice.

☑ **Output (new):** Citizens Advice (CA) have stated that more needs to be done by the industry to ensure that CEGs are delivering value for money for the customer. This statement was echoed by stakeholders at our recent workshops. We therefore undertook research to understand how to do so, engaging CA, Ofgem and Consumer Council for Water to seek their input throughout.

Impact delivered:

- **New:** WPD was the first DNO to establish its CEG, and the group is now fully prepared to deliver rigorous, customer-focused challenge as WPD moves into the early stages of RIIO-ED2 engagement
- **New:** WPD has developed a first-of-its-kind evaluation framework to quantitatively and qualitatively assess the outputs delivered via the CEG (and the positive impact for customers) against their costs



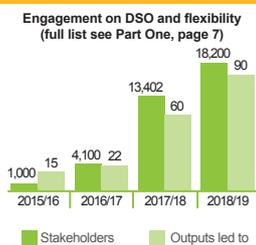
5. Energy system transformation

SUMMARY

Reach: 18,200

Cost: £536k (+ £25m DSO transition cost p/a)

Track record:



31
OUTPUTS
OVERALL

For example:



1.8GW network capacity released via alternative connections offers



10 new Constraint Management Zones



Online flexible power valuation tool launched



11,514 EV charging points connected to date without the need for reinforcement



Strategic intent: WPD has a key role to facilitate a rapidly changing energy landscape. Generation is becoming decentralised (with increasing volumes of solar, wind, energy storage and electric vehicles (EVs) connecting to the local grid) and consumption is becoming more varied. We are therefore transitioning from a traditional Distribution Network Operator (DNO), managing one-way power flows and building networks with capacity to match maximum demand, to a Distribution System Operator (DSO), dynamically controlling the network in real-time. This will maximise the use of existing capacity and avoid the need to build new, larger assets which can be costly and cause disruption.

In 2016 we began this transition by involving stakeholders in discussions to identify the technical network requirements from WPD's engineering perspective. In 2017 we built on these key foundations and began to explore the impacts and benefits for customers. This involved extensive engagement (initially weighted to industrial and commercial (I&C) customers who were likely to participate first), equipment analysis trials and close liaison with the Energy Networks Association's Open Networks project to determine what DSO means across the industry and to share learning. This culminated in WPD becoming the first DNO to publish a fully-costed DSO transition strategy. In 2018/19 we built on this, consulting our broadest range of stakeholders yet, in order to develop a forward looking action plan with specific timescales and deliverables.



Stakeholders said: In the last year WPD has engaged over 18,200 stakeholders on our DSO transition, tailoring our approach to their varied knowledge levels. Our methods have included dissemination events, conferences, topic-specific workshops, surgeries, webinars and podcasts. From this we learned:

Workshops, community energy consultation and DSO webinars: Until 2017, DSO appeared to be a major change for the industry, but meant little to wider customers. It is analogous to building a new house; DSO is the foundation that makes the structure solid, but what people are interested in is the décor and the space they live in. In short, stakeholders said: "nice strategy, but tell us the plan." WPD must therefore specify opportunities for all customers (down to a domestic level) to participate and make it meaningful by focusing on impacts and benefits.

Research: 67% of WPD's customers are highly likely to offer flexibility at a domestic level in return for a financial saving.

WPD's focus for the last 12 months has therefore been in four key areas, to:

- Develop future energy scenarios and coordinate closely with the transmission system operator
- Develop an extensive suite of flexibility services for customers
- Improve signposting so customers know where flexibility is needed
- Ensure we enable all customers to participate, not just larger I&C customers.

We did:

5.1 Future energy scenarios



Objective:

- Given uncertainty over the exact uptake rate of technologies WPD must plan for a wide range of scenarios to enable advanced preparations and avoid becoming a barrier
- Coordinate closely with the transmission system to ensure plans are aligned
- Turn scenarios into practical impact assessments and prioritise areas where the need is greatest due to high anticipated uptake rates of particular technologies
- Ensure WPD's business is structured to optimise the development of these plans.

Updated scenarios reflect changing storage predictions



While a dramatic shift in the technologies connecting to WPD's network is underway, the precise pace and scale of change is uncertain and depends on a range of external factors including future government subsidies and advances in technology (e.g. in relation to EVs). WPD therefore publishes Distribution Future Energy Scenarios (DFES) on the expected growth of demand and generation across our region out to 2032. Utilising our enduring engagement with National Grid, we aligned our methodology with the Transmission System Operator and developed detailed analysis to understand the impact on our network investment and opportunities for flexibility.

Output (enhanced): We must be responsive to the rapidly changing energy landscape. WPD's efforts to annually refresh our stakeholder mapping and spot new or expanding groups are therefore proving vital. In 2018 WPD published new, detailed scenarios for all four licence areas and, following stakeholder feedback, made a commitment to update these every two years. In a major development WPD's new DFES now include energy storage for the first time (responding to significant volume increases due to advances in battery technology), alongside existing demand and generation predictions.

Output (enhanced): In WPD's DSO workshops, we heard that certain hard-to-reach stakeholders (such as regionally-based I&C customers and smaller developers nationwide)

wanted to explore and contribute to our plans but had limited availability to do so in person. To ensure that all stakeholders (regional and national) could contribute, we tailored and broadened our approach. Following the publication of the DFES, we held two events to provide information and raise questions about these studies. We then delivered a further eight webinars reaching 320 additional stakeholders on our overall DSO approach.

Output (new): In line with feedback that WPD needs to focus on turning strategic studies into practical action, we developed a central action plan. In 2017, our studies focused on "edge-case" modelling - analysing only where the network condition was deemed to be most onerous. In 2018, our action plan led to a significant expansion of our approach, with WPD now providing half-hourly analysis of the network for:

- **Winter peak demand** (when there is minimum coincident generation)
- **Summer peak generation** (the network's ability to handle maximum generation output at a time of minimum coincident power demand)
- **Summer and Autumn peak demand** (ability to meet demand requirements during maintenance periods where there is minimum coincident generation).



Output (enhanced): Stakeholders have emphasised the need for closer co-ordination in our planning. So, in 2018, we were the first DNO to publish a joint Regional Development Plan (RDP) with National Grid Electricity Transmission (NGET) for the South West region (which has seen the fastest rate of distributed generation uptake in the UK). In 2019 we've built on this by publishing the second ever RDP. Responding to the inclusion of storage in WPD's DFES, this revealed the West Midlands as the most popular region for energy storage, hence its selection for the next RDP in order to meet the

most pressing need to assess its impact on various investment options. As a result of the established relationships built with National Grid, the latest RDP was developed in six months - half the time of the first RDP.

Impact delivered:

- **New:** Through the whole system approach adopted by WPD and NGET, we are now providing customers with connections quicker, and at lower prices. By coordinating to ensure activities on one network do not impose constraints on the other, we can provide immediate connections to customers in areas with limited coverage. For example, the South West RDP has led to a new, joint flexibility service in transmission constrained areas, called "Connect and Manage". This service allows generators to connect immediately, by granting NGET access to flexibility on the distribution network (managed by WPD on NGET's behalf), with value payments to customers. To date, this has unlocked 234MW across 13 schemes



A new WPD structure to optimise DSO delivery



Stakeholders via our roadshows and wider DSO consultation, told us that we should begin to build smart alternatives to traditional reinforcement into our scenario planning, wherever a constraint on the network is found. Stakeholders such as Ofgem and BEIS were looking for assurances that WPD will consistently consider alternative methods for traditional reinforcement work, constantly looking for opportunities to innovate and improve. To do this WPD needed to be open and responsive to changes in technology, identifying current and possible constraints, and maintaining regular, tailored engagement with stakeholders to fully understand evolving needs.

✓ **Output (new):** Learning from the split within National Grid between network management and electricity system operations, WPD has become the first DNO to create a separate DSO function under WPD's Operations Director. WPD's new dedicated DSO Manager - who also leads the Energy Networks Association's Open Networks Project that shares learning to deliver a coordinated, whole system approach to the DSO transition - leads a team of 71 DSO staff. This ensures WPD's scenario planning, impact studies and development of new DSO-related products, services and control operations will be developed in a ring-fenced area of the business. This will enable the DSO function to provide a service to WPD's traditional network operations - allowing Network Planners to consider and compare smart solutions alongside traditional network investments in order to arrive at the most efficient and cost effective solution.

This major restructure has enabled WPD to effectively engage with over 18,200 stakeholders in relation to DSO, and take significant strides towards making the transition meaningful for customers. We have sought to develop clear, tangible opportunities for customers to participate in DSO activities such as flexibility services, and engage them to help them understand how they can do so. These include:

Option 1: Alternative connections where customers provide their own flexibility by accepting a curtailment at peak times.

Option 2: Flexibility services where WPD contracts for flexibility from its wider customer base to avoid general reinforcement, but not necessarily linked back to the customer whose connection tipped the network into constraint.

5.2 Flexibility services



Objective:

- Investigate flexibility as an alternative to reinforcement, as business-as-usual
- Maximise the benefits of flexibility, by:
 - Making it easy for customers to participate
 - Increasing resilience
 - Reducing socialised reinforcement costs
 - Providing more efficient connections.

Innovative alternative connections offers



WPD's ability to offer alternative connections instead of traditional reinforcement is enabling developers to keep their projects moving. These agreements offer customers a choice - if they are willing to accept a constraint on the amount of power available they can connect more quickly and cheaply.

✓ **Output (enhanced):** Following positive feedback from stakeholders on our Connections Steering Group, we now offer these alternatives as standard for every connection in a constrained area that would ordinarily trigger traditional reinforcement, where it offers a more cost efficient option.

✓ **Output (enhanced):** Extensive engagement with local authorities (LA) and Local Enterprise Partnerships (LEP) (see page 9) tells us that alternative connections are not just important to the direct customer but they enable regional investment that is key to the local economy. For example, in Lincoln an 87-acre business park was ear-marked by Jaguar Land Rover (JLR) to build Lincoln's largest new motor showroom.

Constraints on the network meant WPD could only offer a 260kVA connection against JLR's need for 400kVA, and network reinforcement was not due to complete until 2020. Accepting the available capacity as part of a secure connection, with the remaining 140kVA constrained during peak times meant significantly reduced costs and timescales. This resulted in Lincoln securing a £9 million investment from JLR.



✓ **Output (enhanced):** WPD's well-established engagement with Nottingham's City Council and LEP led to discussions about plans for the largest installation of public and commercial EV charging in the country as part of ambitious plans to improve air quality for residents.

WPD's network studies showed we could offer 600kVA under normal operating conditions, but this would need to reduce to 69kVA during abnormal operating conditions (e.g. during faults when the network is required for switching and back-up). As a result of this alternative offer, the scheme went ahead two years earlier than if traditional reinforcement was required, and saved the customer £120,000.

Impact delivered:

- **Enhanced:** We've increased the amount of capacity released by 50% in 2018/19, up to 1.8GW from 1.2GW in 2017/18. This means 3GW of traditional reinforcement (equivalent to 1.5 million homes) has been deferred in two years, saving customers £25 million and significant disruption



"Flexibility first" commitment becomes business-as-usual



Stakeholders at our annual roadshows told us that many electricity consumers have the potential to provide flexibility, enabling WPD to avoid reinforcement of the network by:

- Turning up or down their generation
- Turning up or down their demand
- Shifting consumption forwards or backwards
- Storing energy for later consumption.

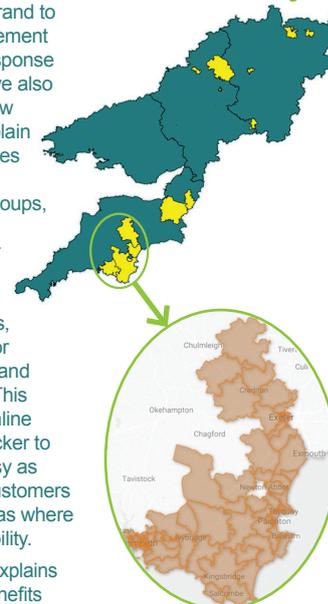
Following our latest DSO consultation we've committed that for all new projects in constrained areas (due to increased electricity demand and/or distributed energy projects being connected to the grid) we will test the market for flexibility services from the likes of renewable energy generation or storage operators, demand side response and energy efficiency measures. We will then compare the cost to that of building new energy infrastructure.

Feedback from our Customer Collaboration Panel in early 2018, as well as engagement with Cornwall Local Energy Market steering group, stated that information about flexibility was deemed hard to find, leading to a high number of customers immediately clicking off WPD's website and submitting enquiries for topics that were already answered in the published information.

✓ **Output (enhanced):** Network constraints are confined to ring-fenced geographical locations. We've launched ten new Constraint Management Zones (CMZs), with telemetry and remote-automation installed on the network to allow us to operate the grid dynamically, in real time. None of these initiatives are a result of innovation funding.

✓ **Output (new):** WPD has created "Flexible Power" as a product and brand to deliver procurement of demand response services. We've also launched a new website to explain the opportunities for different stakeholder groups, with tailored information for domestic customers, I&C customers, communities or cooperatives, and aggregators. This includes an online postcode checker to make it as easy as possible for customers to find the areas where we need flexibility.

Constraint Management Zones in our South West region



The new site explains the specific benefits available for each group, the types of flexibility services they could offer and levels of payment available, all in an easy to access format to suit stakeholders' preference for 'self service'.

Types of flexibility services:

Secure	Manage peak demand times (e.g. weekday evenings)
Dynamic	Support the network during planned faults (e.g. maintenance)
Restore	Support the network during unplanned faults (e.g. equipment failure)

As a result there has been a 300% increase in page views. Enquiries from customers struggling to find the information they need have reduced by 30%.

☑ **Output (new):** At WPD's DSO workshops and bilateral meetings, we've focused on identifying the needs of potential participants, including being responsive to the evolving needs of new and expanding groups such as energy aggregators. They told us that before they apply they need clear and reliable visibility of our needs to provide long-term certainty around the value available to them. As a result, we published full requirements online for each CMZ including:

- Precise locations.
- The months when flexibility is required
- The times when providers must be available
- The MWhs needed each month.

☑ **Output (enhanced):** Working with stakeholders at our Connections Steering Group we've designed customer-friendly processes and policies, including the decision to award contracts for a minimum of a year with the option to extend.

☑ **Output (enhanced):** We've held almost 100 information events, including webinars and face-to-face meetings, specifically on Flexible Power in 2018. We also regularly engage existing flexibility customers to seek feedback on how to improve the service. In Autumn 2018 they told us they needed better visibility of benefits and more advanced indication of requirements. Site managers told us that they were put off from entering into a bid process to provide flexibility without a prior understanding of what the process might be worth. As a result, in December 2018 we began providing regular forecasts of monthly availability and usage to registered parties. The forecasts aim to provide clear visibility of short-term needs, more certainty about when their assets will be used and the earnings available to them.

☑ **Output (new):** We have also launched a new valuation tool to help customers estimate the values available for participating in these zones before submitting an application.

Impact delivered:

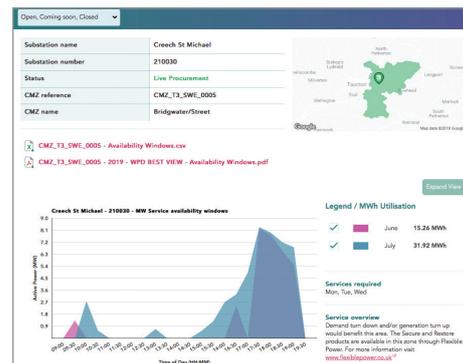
- **New:** DSO Forward Plan published in August 2018 setting out the benefits to stakeholders and the immediate steps we are taking in the transition to DSO
- **New:** Strategic commitment that for the remainder of R100-ED1 we will assess 100% of load related reinforcement on the HV network for a more economic delivery via flexibility services
- **New:** Total of 13 CMZs now in operation, covering 98 primary substations. This has unlocked 154MWh of capacity (equivalent to 77,000 new homes), deferring up to £40 million of load related reinforcement
- **New:** Six sites (soon to be over 30) providing generation back to the energy system
- **New:** 11,514 EV charging points connected to date without reinforcement
- **New:** "Flexible Power: Routes to Participation" webinars held to help customers understand the data published for each CMZ, the timelines and steps interested parties must take to be eligible to tender
- **Enhanced:** Distribution System Operability Framework (DSOF) updated and republished as a series of individual articles. These articles cover future technical and commercial issues which could impair our ability to operate and maintain our networks efficiently while developing capacity for new connections

New flexible connections on the way



Building on these successes, in January 2019 we consulted with wider stakeholders about a new flexible connections offer we are developing. Our existing 'alternative connections' offers mitigate network limitations by customers agreeing to have their demand or output constrained at certain times. This is at the customers' own risk (any changes in WPD's assumptions of demand/generation/storage will affect them directly) but they get the immediate benefit through reduced charges to connect.

☑ **Output (new):** We are trialling a new option where instead of constraining the connecting customer, we utilise the capabilities rolled out as part of "Flexible Power" to contract for flexibility services in the area in order to maintain the first customer's full capacity. This differs to the CMZs we have established to avoid wider network reinforcement (that would be socialised and funded by all customers). It instead applies this learning to identify new areas for active network management where the specific need is to lower prohibitive costs and timescales for new connections. To dispatch adequate flexibility through generation and demand turn up/turn down, we need to estimate volumes, procure it and contract it; allowing us to estimate a price for operating the flexibility, which we can then pass back to the first customer. As this presents a brand new, innovative approach to charging, we are engaging closely with Ofgem. We are offering customers a choice of 1) a one-off fee upfront that will cover the flexibility requirements for the lifetime of connection (here WPD adopts the risk of assumptions or market costs changing); or 2) an annual fee based on actual flexibility costs.



Impact delivered:

- **New:** Customers are able to find up-to-date, transparent data on current and future flexibility areas in an easy access format. Data is updated twice a year, with additional ad hoc refreshes if new or likely constraints are identified
- **New:** Our latest refresh signposted 65 constraints covering over 100 zones
- **New:** Published signposting on a total of £60 million of load related reinforcement

5.4 Community energy (CE)



Objective:

- Ensure the benefits of the DSO transition are shared amongst all of WPD's customers
- Ensure that community energy stakeholders are not disadvantaged when looking to enter emerging markets, by:
 - Increasing awareness
 - Building knowledge and capacity to participate
 - Providing dedicated points of contact to support CE groups with flexibility.

WPD ran nine CE events with 397 stakeholders and a two-month consultation with a further 134 stakeholders on the future of the electricity network. This aimed to refine WPD's DSO implementation plan for this specific audience and enable WPD to identify whether tailored flexibility products and services are necessary for communities to access the market. It revealed a desire to be involved in the DSO transition, and to offer flexibility, but CE groups are at an early stage and need more support to participate. WPD heard five clear messages that have guided the actions and outcomes we've delivered since:

- Early engagement to involve communities in strategic decisions is key
- Decarbonisation (via greater proportions of low carbon generation) is CE groups' key driver
- Access to WPD's technical expertise is vital at the project planning stage to design effective projects that deliver successful outputs immediately, but that also support future balancing
- WPD must continue to focus on face-to-face engagement, including training workshops, to help CE groups build their capabilities
- We should complement this with guides and videos to help explain complex information such as the flexible power tendering process.

Impact delivered:

- **New:** Agreed that WPD will not set any minimum entry thresholds when procuring flexibility services, ensuring inclusivity
- **New:** Provided guidance to support CE groups wishing to work with aggregators
- **New:** For connections that do not have minute-by-minute metering (required for flexibility) WPD will now offer its own product to ensure customers receive full payments

5.3 Signposting



Objective:

- Provide advanced sight of our flexibility requirements to aid customers' planning
- Deliver on our DSO strategic commitment (agreed with stakeholders in 2017) to help facilitate new neutral markets for flexibility
- Present this in the most accessible way possible and keep it up-to-date.

Network flexibility map proves a hit



To inform flexibility markets of our current and future requirements, we now publish "signposting" information describing constraints that will trigger any significant load related reinforcement. It sets out future distribution system needs based on the likely impact of expected growth (demand and generation) across our region five years into the future.

☑ **Output (new):** We've launched a new Network Flexibility Map (www.westernpower.co.uk/signposting) to display where WPD's network is currently seeking flexibility, or is likely to be in the future. The requirements are based on WPD's DFES (aligned with National Grid) providing greater detail on performance characteristics of our network than ever before, including:

- Geographic supply area
- MW peaks in each constrained zone and the length of availability required
- Estimated MWh utilisation
- Months/days/hours that flexibility would apply.

Our flexibility map includes interactive graphs to allow customers to choose exact date ranges and switch on/off certain months within a year to tailor data to their specific availability. In response to feedback there is now a download feature to allow customers to view their specific data in pdf format.

6. Delivering local energy plans



Strategic intent: The transition to become a DSO requires WPD to plan for the unique requirements of local communities in order to support regional energy plans that maximise value for customers. Stakeholders expect information at a more granular level than ever before and want network solutions that respond to their specific needs. For example, certain areas are predicting high housing growth, for others its high electric vehicle (EV) growth. The specific geography dictates variations in the most prevalent types of distributed generation likely to connect to the system. It is, therefore, more important than ever that we engage local stakeholders, tailoring our engagement to ensure we gather views from the broadest range of sources in the manner that suits them - striking a balance between discussing company-wide issues and region-specific priorities.



Stakeholders said: Workshops: WPD's Business Plans historically presented expenditure by licence area. Stakeholders want to know WPD's specific plans at a county-level. Local authorities (LAs) and Local Enterprise Partnerships (LEPs) face requirements to produce local development plans that look further into the future than ever before - accounting for rapidly changing needs to decarbonise local transport, housing and improve air quality. They want to better understand WPD's operating structure and establish relationships with our local planning teams so they can contact them periodically for help and advice, and ultimately, deliver coordinated plans.

WPD's focus for 2018/19 therefore covered three key areas:

- Enable stakeholders to understand, explore and influence our local network investment plans
- Educate LAs on the network requirements for key aspects of their local development plans (e.g. EVs)
- Utilise the relationships we're building with LAs and LEPs to lay the groundwork for joined-up regional plans.

We did:

6.1 Local network investment



Objective:

- Update LAs, LEPs and developers on WPD's medium-term local network investment plans
- Seek feedback and let stakeholders identify capacity challenges based on their own plans
- Strengthen working relationships within WPD to enable more coordinated planning.

Local depot workshops with WPD's Distribution Managers



WPD is investing £7.1 billion across the network from 2015-2023 to improve reliability, provide additional capacity and upgrade equipment. This investment is increasingly of interest to local authorities, developers and the business community as they work to meet targets for new homes and commercial developments. These stakeholders told us that our existing engagement, while covering the topic at a company-wide level, did not provide the bespoke, region-specific detail they needed.

✓ **Output (new):** In July 2018 WPD's 27 local Distribution Managers, and their Network Planners, hosted a series of workshops. Over 200 stakeholders including MPs, councillors, council officers, LEPs and developers were able to discuss specific investment projects, their regional challenges and optimal sites for future developments, depending on existing network capacity and/or aligning with WPD's pre-planned reinforcement works.

✓ **Output (enhanced):** We produced 27 bespoke investment brochures, covering each of our distribution zones. Each brochure detailed a wide variety of investment schemes along with the contact details of local Distribution Managers to facilitate future interactions with WPD and inform stakeholders' future development plans. We have also launched an interactive online map detailing WPD's schemes including the benefits each delivers for customers.

Impact delivered:

- **New:** WPD incorporated LA development plans (on generation and demand growth) into our Strategic Investment Options Reports
- **New:** WPD now publishes planned reinforcement schemes on its capacity map



6.2 Electric vehicles (EVs)

The most prevalent concern emerging from our local investment sessions was from LAs, about how to plan for EVs. In light of government grants for LAs to begin installing charging infrastructure, many feel ill prepared - WPD's research reveals that only 11% of LAs in our region (out of 121) are at the implementation stage of rolling out EV charging and many require considerable help understanding the network requirements.



Objective:

- To respond urgently by providing support to help LAs wrestling with key issues including:
 - What types of chargers to install and where
 - Available capacity on WPD's network
 - The connections process and strategic planning.

First DNO-led EV conferences for local authorities



✓ **Output (new):** 267 stakeholders attended over the two events. They welcomed WPD's offer to work with them at an early stage, with 89% stating that before the events they did not know where to start with their EV plans. WPD explained the costs and network implications of the different types of chargers available to help to inform LA assumptions - before which the majority were planning for super-fast charge points connected to existing street lights (designed for the demand of a single bulb, not an EV which has equivalent demand to a new home).

✓ **Output (new):** 100% of stakeholders rated the events "very useful". Many stated it was the first opportunity they'd had to discuss preparation for EVs outside of their own LA. The chance to network with neighbouring LAs allowed them to consider joined-up approaches and maximise funding.

Impact delivered:

- **New:** WPD's first ever EV strategy published - covering forecasts, technical considerations, support for connections, innovation trials and plans to roll-out learning as business-as-usual. It includes plans for charging stations based on engagement with the Petrol Retailers Association
- **New:** Reinforcement strategy implemented to make best use of existing network capacity: to identify heavily loaded transformers in areas where EV uptake is likely to be high, and update them to support a 35kWh charge (giving 150 mile range) every five days for every connected customer
- **New:** Pioneering new plans created to install three-phase supply cables in all new build housing in response to stakeholder expectations for superfast EV charging. Existing single-phase supply allows 20 miles of charge per hour, but three-phase increases this to 55 miles an hour
- **New:** Developed heat maps to show available capacity for charging at a local transformer level

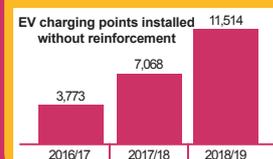


SUMMARY

Reach: 703

Cost: £139k

Track record:



22

OUTPUTS OVERALL
For example:



LA plans for new housing included in WPD's strategic investment options reports



New cable installation strategy enables 175% quicker EV charging



63% increase in EV chargers installed on network without reinforcement

6.3 Joint LA plans

Additionally, we held regional workshops on future energy demand/generation growth with 236 stakeholders in 2018. The goal is to agree joined-up energy infrastructure plans and build a consortium within the area to fund it (where investment ahead of need is not permitted by Ofgem).

✓ **Output (new):** Industry collaboration led to the first ever Greater Lincolnshire Energy Strategy. This sets out infrastructure requirements for major new housing developments as well as decentralised energy sources, designed to match local demand and enhance Lincolnshire's energy resilience. The plans include WPD's procurement for flexibility services in constrained areas and includes a standard requirement for three-phase service cables in all new housing developments.

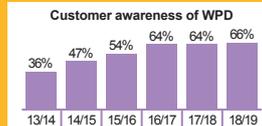
7. Building a social contract

SUMMARY

Reach: 8m

Cost: £755k

Track record:



13

OUTPUTS OVERALL
For example:



Strategic intent: WPD delivers an essential public service for a population of over 20 million people. As one of the largest DNO in the UK it is vital we connect with the local communities we serve, building and maintaining trust in the services we provide and perhaps most importantly, the way in which we do so. Utilities are facing questions about profits, corporate governance and their licence to operate. These questions include whether the purpose to serve our customers and society is strong enough for WPD to be trusted to continue to fulfil this role. This is an important challenge, and it is our aim to clearly demonstrate and justify our purpose and values to stakeholders.



Stakeholders said: *Ofgem, MPs, Citizens Advice and Sustainability First: WPD must demonstrate its legitimacy and show it is not all about profits. We must be clear on what customers get for their money and show we take account of social and environmental wellbeing as well as economic value.*

Workshops 2019: *WPD should deliver a 'social contract' as part of RIIO-ED2, which differs to "fluffy" Corporate Social Responsibility commitments. Stakeholders identified key aspects to include in the contract, with measurable targets wherever possible and saw external reviews and transparent reporting as vital methods of demonstrating delivery.*

Our focus is to engage key stakeholders, including MPs, on core areas of commitment within our social contract, including:

- Transparent reporting (with clarity on returns and profits)
- Demonstrating WPD is a diverse, responsible employer
- Evidencing the legitimacy of our operations for the future
- Playing an active role regionally (see pages 8 and 9) and supporting vulnerable customers (see Part Three).

We did:

7.1 Transparency

Objective: Explain WPD's profits in simple terms. Promote this to all customers, along with clear performance reporting so they can consider if we deliver value.

Voluntary RIIO Accounts

In light of incorrect claims made by MPs, Citizens Advice and written media that WPD make +30% profits, not helped by previously complex financial reporting requirements, WPD has listened to stakeholders and sought to provide clarity.

Output (enhanced): For the second year WPD published RIIO Accounts voluntarily and ahead of any network company. This year we acted on stakeholder feedback by introducing a simplified two page summary, setting out WPD's total expenditure for the year (£942 million), the impact on customer bills (£8.17 a month, or 27p a day) and actual regulatory returns (6.3%).

Impact delivered:

- **New:** Customers told us we need to be clear on what they get for their 27p a day, so we wrote to all eight million customers summarising key areas of our performance, sharing links to WPD's annual Business Plan Commitment Reports
- **Enhanced:** Guided by our Customer Collaboration Panel, we delivered a three-tiered approach to ensure transparent reporting: a one page summary for customers, 30 page report for interested stakeholders (highlighting the top 12 outputs identified by stakeholders) and an in-depth granular report on all 76 outputs

We did:

7.2 Responsible employer

Objective: Build a more diverse workforce and educate staff on WPD's social values beyond network operations.

Greater workforce diversity

At consultation events on building a social contract, stakeholders added our role as an employer as a key component and wanted to see action to increase diversity. At <10% the UK has the lowest rate of female engineers in Europe.

Output (new): We've launched a new careers website displaying photos and testimonials from staff around the business explaining their roles. It highlights females in engineering roles to dispel perceptions of a male-dominated industry.

Output (enhanced): WPD's latest apprentice recruitment programme saw 1,586 applicants for 69 vacancies.

Output (new): Stakeholders tell us that the challenge goes back further - to attracting more women into STEM (Science, Technology, Engineering and Maths) subjects. WPD therefore introduced STEM Challenge Events in 2018 with secondary school children. WPD staff mentored 21 schools and received training to become STEM Ambassadors, a role that encourages young people to consider STEM studies and careers.

Apprenticeship challenge focuses on vulnerability

WPD's annual apprenticeship challenge for new recruits usually focuses on a team-building construction task. This year we sought to educate them on WPD's social purpose and values with an initiative to benefit vulnerable customers.

Output (new): Working with St Margaret's Hospice to improve the charity's donations storage facilities, WPD apprentices distributed charity donation bags to more than 13,000 homes, returning two days later to collect over 2,000 with items raising £75k. A WPD Priority Services Register leaflet was included in the bags, encouraging residents to consider if anyone they know should join WPD's register.



7.3 Legitimacy

Objective: Strike a balance between large policy-shaping events and more local, targeted engagement supporting the bespoke needs of local regions. In doing so aim to:

- Address cost of energy concerns
- Explain WPD's role as an enabler (not barrier) to decarbonisation, low carbon technologies, non-traditional models and localisation.

Key to our role is building a future-proof, dynamic network in the face of the changing needs of customers. Being rigid isn't a responsible approach; instead we must look to act innovatively to meet societal challenges. In the last year WPD's engagement included 26 MP meetings, three Westminster events, a parliamentary DSO "teach-in" session and two select committee inquiry appearances, all aimed at demonstrating the legitimacy of WPD's position.

MPs fact finding visits

MPs have echoed wider stakeholders by seeking to understand how WPD's overall expenditure breaks down at a local community level. Five years ago WPD's engagement was mostly reactive to MP enquiries. Today we proactively invite them to site visits to help them understand our role, challenge misnomers around profits and explain what customers receive for the 27p a day they pay to WPD. For example:

Output (enhanced): MP Mark Pawsey met WPD's local Distribution Manager at a primary substation in Rugby to hear first hand about how a major network investment scheme will improve reliability for local constituents. He said: "Keeping the lights on is vital, especially with the anticipated growth in EV use. I was interested to see the steps WPD is taking to ensure the local grid can continue to provide residents with the power they need as their behaviour changes."

Output (enhanced): In follow up to WPD's local network investment events, we sponsored a conference specifically for Town and Parish Councillors hosted by West Cornwall MP Derek Thomas. 70 attendees were given an overview of WPD's DSO roadmap, opportunities to participate in flexible services, and an explanation of WPD's costs/profits and the £11 million investment in West Cornwall this has led to in 2018.

Shaping future policy

Output (new): WPD hosted a 'Dragon's Den' style event for civil servants, BEIS and parliamentary researchers to showcase innovative, non-traditional approaches to managing the network (spanning transport, heat and storage), and discuss cross-market regulatory requirements to facilitate this.

Output (new): WPD and National Grid joined forces to give evidence to the Welsh Assembly's Infrastructure Committee. We were asked to set out the main features of a national EV charging strategy. WPD specifically shaped the plan for rural charging, recognising the role of private investment and provided modelled network impacts for various EV uptake scenarios.

Overall impact on our social contract:

Our engagement across the themes of 'transparency', 'responsibility' and 'legitimacy' has fed into our current thinking on a social contract and how we will take this forward for RIIO-ED2.

- **New:** WPD has agreed the structure and scope of our social contract with wider stakeholders (see page 5)
- **New:** We have identified the next steps to build our first social contract, which we plan to test with stakeholders, including research with end consumers, in 2019/20.

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