

Welcome

RIIO-ED2 Business Plan: first submission to Ofgem

Our webinar will begin in a few minutes.

- Please use the Q&A button to post your questions about the business plan.
- We will try to answer as many questions as possible at the end of presentation.

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[westernpower.co.uk](https://www.westernpower.co.uk)

Introducing WPD's first Business Plan submission to Ofgem

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Wednesday 21st July 2021



**WESTERN POWER
DISTRIBUTION**
Serving the Midlands, South West and Wales

[westernpower.co.uk](https://www.westernpower.co.uk)



Setting the scene

- We distribute power to **8 million homes & businesses**
- Covering the East and West Midlands, South Wales and South West England
- Our focus is to deliver affordable excellent customer service by keeping the light on and ensuring customers can have a connection when they want it.
- Ofgem regulates how much revenue we can earn and what we must deliver in ‘price control periods’
- **“RIIO-ED2” will cover the 5 years 2023-2028**
- We are developing our Business Plan for that period - setting out, in detail, our commitments to stakeholders, performance targets and planned investment and expenditure



“RIIO-ED2”:

Revenue = Incentives + Innovation + Outputs
(Electricity Distribution 2)



Our values – underpinning our Business Plan

- Our purpose is to deliver **exceptional service** and **support environmental and social well being** for the communities we serve through our commitment to deliver:

‘Power for life, Power for future generations’.
- We will deliver a **safe** and **reliable** electricity supply at an **affordable** cost for all our customers, using **local staff** to deliver a **local service**
- We will achieve this by following our values which are at the core of our business and underpin everything we do:

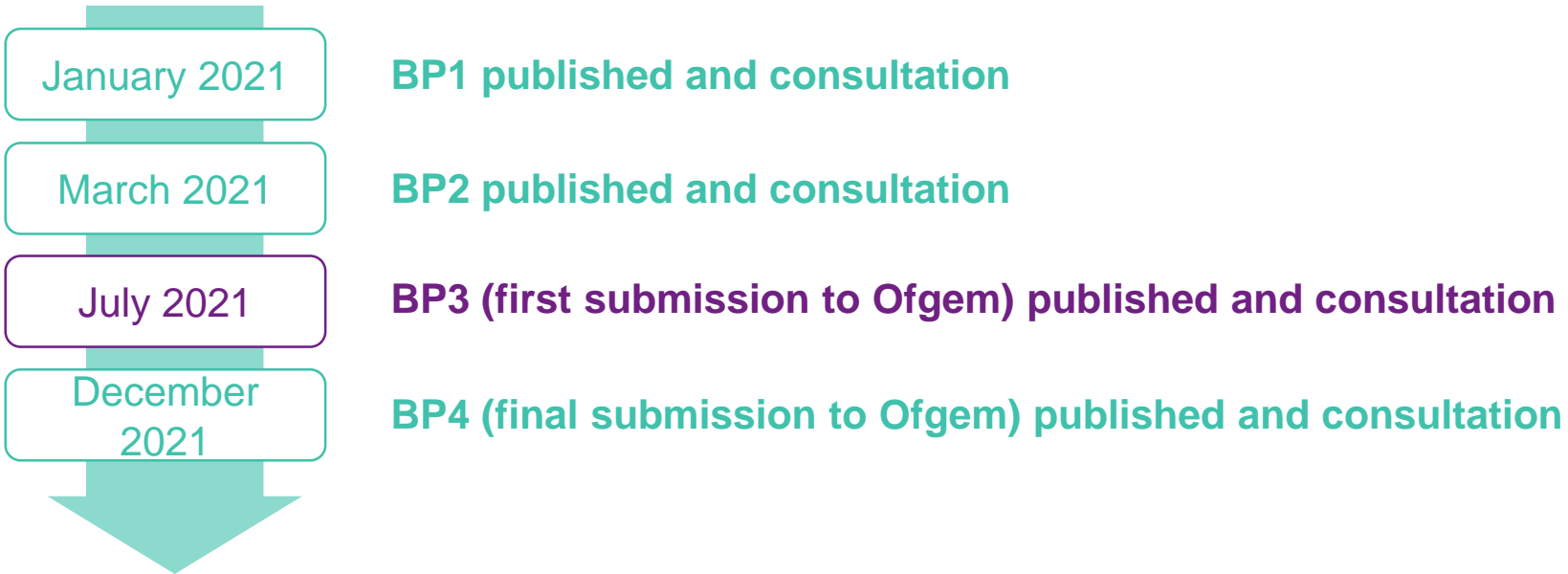
WPD's Values



How our plan was built

While this is our first submission to Ofgem and their Challenge Group, it is the third draft we have published for stakeholder consultation

- We are **maximising the opportunities for you to shape our plans** and ensure our proposals are fully well-justified:



82%
end user acceptability
of the overall plan
(only 3% “unacceptable”)

87% - 97%
stakeholder acceptability
of WPD’s core
commitments



How our plan was built

Over 19,000 stakeholders engaged via 250 events (over 6,400 via direct, in-person engagement)

- In addition we've considered over 70,000 customer interactions
- Every commitment has been co-created from a blank sheet through to detailed and refined targets



For example:

	Commitment	Phase 1 Preliminary engagement	Phase 2 Social value	Phase 3 Business Plan development	Phase 4 Business Plan refinement	Phase 5 Business Plan acceptance
6	Proactively contact over two million Priority Services Register customers once every two years (with 60% via direct telephone call) to remind them of the services we provide and update their records.				🕒	
7	Achieve a 'one-stop-shop' service so that customers only have to join the Priority Services Register once to be registered automatically with their energy supplier, water company, gas distributor and telecommunications companies.				🕒	
8	Increase the number of customers registered on the Priority Services Register to 40% of total eligible customers including 50,000 hard-to-reach customers each year.				🕒	
9	Support 113,000 fuel poor customers to save £60 million on their energy bills over R10-ED2.				🕒	
10	600,000 Priority Services Register customers to be offered a bespoke smart energy action plan each year.				🕒	

Key:

	No stakeholder support at that stage		Action specifically requested by stakeholders
	Regulatory or legislative drivers (including suggested actions from WPD based on our expertise, but not yet tested with stakeholders)		Specific action reviewed and agreed with stakeholders
	High level stakeholder support (e.g. indicating this overall area of activity is a priority, but not yet indicating specific actions)	🕒	Increased ambition following feedback



What we have published

www.westernpower.co.uk/RIIO-ED2BusinessPlan

5 core documents

- RIIO-ED2 Business Plan
- Business Plan Overview
- Navigating our Plan
- Board Assurance Statement
- Redaction Explanatory Statement



11 supplementary annexes

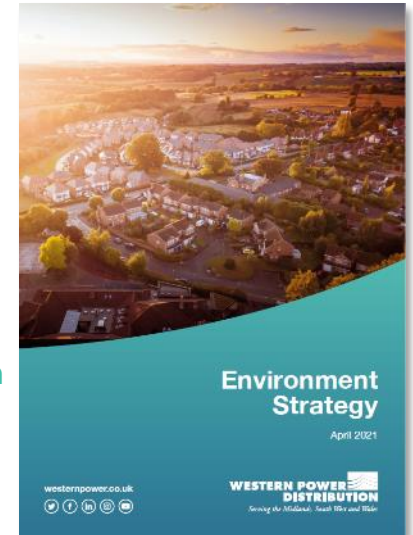
1. Governance
2. Keep our promises
3. Engagement
4. Commitments
5. Smart and flexible network
6. Expenditure
7. Uncertainty
8. Competition
9. Financing
10. Glossary
11. Investment appraisal

• *Plus 8 Customer Value Propositions*



12 key strategies

- Climate resilience
- Customer vulnerability
- Digitalisation
- DSO
- ENA innovation
- Environment
- Environmental Action Plan
- WPD Innovation
- Major connections
- Social contract
- Workforce resilience



We keep our promises

Our delivery track record is essential to ensure our Business Plan is believable and credible. It contains ambitious targets our customers can have confidence will be achieved

- In some areas, stakeholders want us to maintain our focus and build on our successful track record, by making ongoing improvements
- In others, they want us to embrace entirely new ways of operating and to develop new services that deliver a rapidly evolving energy system that drives a lower carbon future for us all.
- We have a strong track record of delivering on our promises. This will not change in RIIO-ED2.

9.01 out of 10

overall satisfaction in
RIIO-ED1

8 years

Highest rated company
in Ofgem's Stakeholder
and Consumer
Vulnerability incentive

40%

reduction in power cuts
and 50% reduction in
power cut durations

20%

reduction in business
carbon footprint in RIIO-
ED1

£37 million

Savings delivered to fuel
poor customer in RIIO-
ED1 – four times more
than any other DNO

**Largest
flexibility**

programme in the UK,
with 457MW procured
and £39m deferred
reinforcement



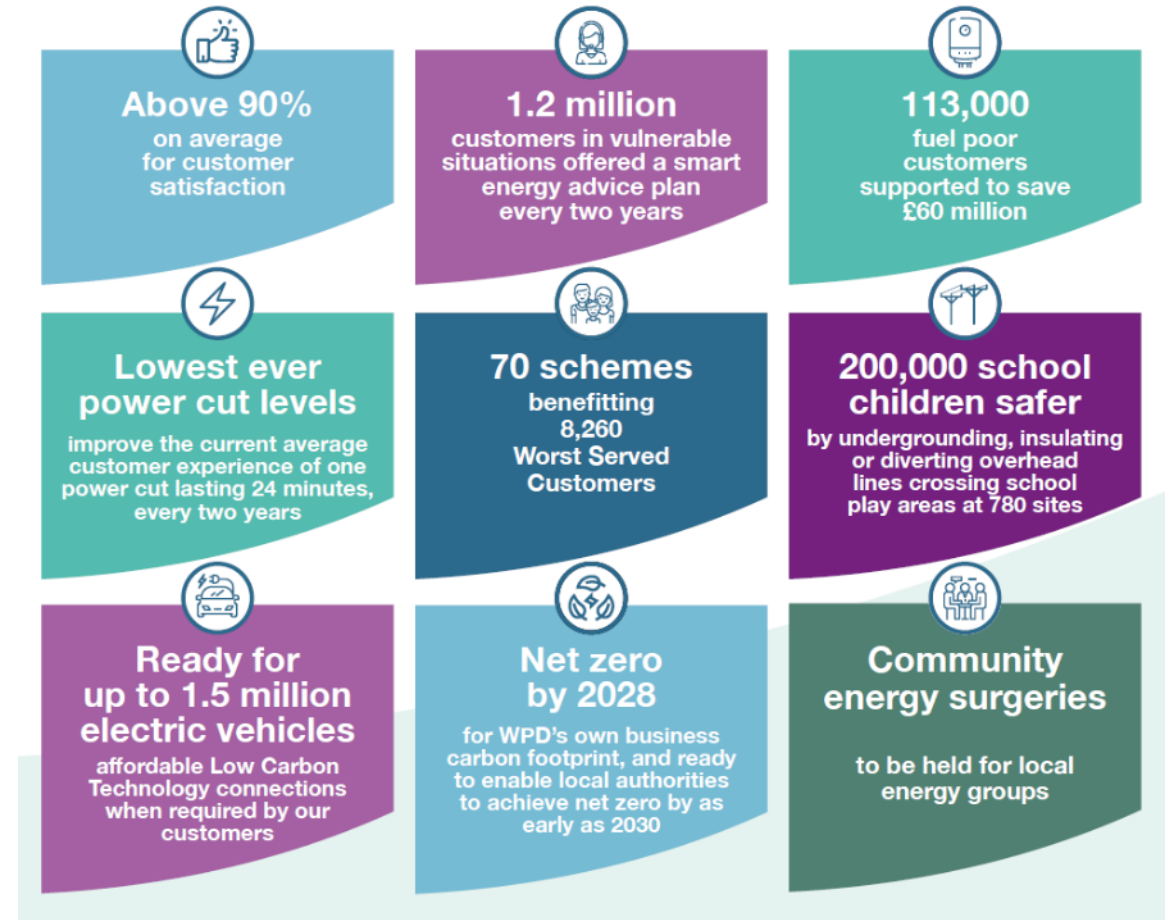
Headlines of our plan - *Commitments*

We have proposed 45 core commitments

- We have followed a **five stage engagement process to co-create** them with stakeholders, from scratch
- They have been **significantly refined and negotiated**, with over 3,000 stakeholders inputting in the last 6 months alone to refine BP1 to BP2 to BP3



- **Consolidated, specific and measurable**
- With a **clear focus on outcomes** and the benefits they will achieve for our customers



Headlines of our plan – *Commitments (2)*

In addition to our 45 core commitments, we have made 162 wider commitments

- Detailed action plans, performance reporting metrics and overviews of the stakeholder insights that have driven our decisions are contained in our supplementary annexes and strategies
- For example (Customer vulnerability):

5 core commitments

For example:

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

39 wider commitments

For example:

- (#20) Model the capabilities of vulnerable customers to participate in a smart, low carbon future, and then: calibrate existing schemes; design and implement new interventions to support participation.
- (#26) Power Up Smart scheme to tailored support for PSR customers with smart meters.
- (#28) Annual fuel poverty innovation competition seeking innovative projects to tackle fuel poverty.
- (#30) Every WPD innovation scheme will formally consider the impacts and opportunities for customers in vulnerable situations.

22

reporting
metrics

Headlines of our plan – *An example topic: Environment*

Ready to provide the capacity to facilitate the net zero aspirations of our local communities

- We plan to help connect up to **1.5 million electric vehicles** and **600,000 heat pumps**.
- We will work closely with local authorities and other stakeholders to ensure our forecasts reflect regional low carbon plans.
- We have already successfully established flexibility markets and procured the highest amount of flexibility of all UK DNOs.
- This ‘flexibility first’ approach will drive the way we provide capacity in RIIO-ED2.
- Digitalising WPD’s data and making it easily available will be key - we plan to spend an extra £106 million over five years to create a smarter, more secure, digitalised network.



Connecting more low carbon technologies than the national average, by making the process easy for customers



Expanding the roll out of flexibility services and making this process simple, fair and transparent

Plus a clear focus on the business carbon footprint of our own business:



Becoming a net zero company by 2028 – 22 years ahead of the UK target



Replacing vehicles with non-carbon technology, where possible



Installing renewable local generation at all suitable offices and depots, where practical



Headlines of our plan - *Expenditure*

EXPENDITURE:

- **We propose to invest around £6.2 billion** in the network across the period 2023-2028 to deliver WPD's current view
- **This is an increase of around £939 million** from current levels



- This will result in significant benefits to customers and deliver the priorities of our stakeholders and the outcomes they value
- It will also move us towards the achievement of Net Zero carbon emissions in the UK

CUSTOMER BILLS:

- **Customers currently pay around £98 a year for the WPD portion of an average domestic electricity bill.**
- **We expect this to remain broadly at the same level in RIIO-ED2 despite significant increases in expenditure and stretching service improvement targets.**
- We estimate the impact of the increased, would result in an approx. £1.52 increase on the average domestic bill.
- However, we intend to offset this by our efficiencies, changes to the financing parameters and other aspects of the RIIO-ED2 framework.

Customer Value Propositions (CVP)

- WPD's key aim is to deliver an ambitious plan that reflects the changing and increasing expectations of customers, while continuing to provide excellent value
- We have gone beyond simply delivering a highly cost efficient plan, by making additional commitments that will generate significant extra value to consumers
- In total we are proposing eight CVPs and will be consulting on these further in September

1. Ensure WPD is a **net zero business by 2028**, and adopt a stretching science-based target of 1.5 degrees.

2. **Proactively partner with every local authority in our region** to help them develop ambitious Local Area Energy Plans.

3. **Establish Community Energy Engineers** to support the development and delivery of community-based energy schemes to drive the UK's achievement of net zero.

4. **Create a National Energy Plan for Wales**, working in collaboration with the Welsh Assembly Government, National Grid and SPEN to ensure a joined-up approach to key enabling actions.

5. **Build decarbonised communities and local energy schemes** by funding solar PV on schools and community buildings in areas of high economic deprivation.

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

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.

8. **Create a low carbon technology energy advisory service** for consumers to provide a first-stop support service for people looking to switch to electric vehicles, heat pumps or solar PV.



Seeking your feedback

We continue to consult on our proposals and would love to hear your views

- You can comment on:
 - **The Business Plan as a whole**
 - **Specific chapters**
 - **Specific annexes**
 - **Specific strategies**
- We will continue to consult and conduct further research through to December, including:
 - **Stakeholder workshops: 14th-16th September**
dates for your diary. Likely to over:
 - *WPD's Customer Value Propositions*
 - *Acceptability of key commitments and strategy delivery areas*
 - *Areas for potential greater ambition or alternatives*

www.westernpower.co.uk/RIIO-ED2BusinessPlan

Have your say on our RIIO-ED2 Business Plan

Please let us know your thoughts

Name*

Organisation

Email*

@

Commitment Area

☐ All

☐ Main Documents

☐ Support Documents

☐ Regulatory Documents

Feedback

☐ By ticking this box you are agreeing to our [Terms & Conditions](#) and [Privacy Policy](#) *



Next steps

ANY QUESTIONS?

Thank you very much for time and input into our process





Serving the Midlands, South West and Wales

[www.westernpower.co.uk/
RIIO-ED2BusinessPlan](http://www.westernpower.co.uk/RIIO-ED2BusinessPlan)



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