

Workforce Renewal in ED1

Sarah Walls

CAWG 29 May 2012

- Workforce renewal allowances include
 - the costs of replacing leaving staff and
 - increasing the workforce to manage the increase in workload forecast for DPCR5.
- Address problems created by
 - further increases in workload in DPCR5 (replacing the aging assets and increasing capacity)
 - large increase in forecasted employee retirements because of the numbers of staff recruited during the 1960s, 1970s and 1980s.
- Ofgem gave DNOs “use it or lose it” allowances in DPCR5 to start to address these problems.

- Ongoing need for allowances
 - The focus for DPCR5 was largely on replacing existing skills and increasing volumes of operational staff. These issues continue for ED1
 - ED1 has revealed new challenges, in particular the requirement to recruit new skill-sets to address low carbon challenges
 - Requirement is certain but scale is unclear and likely to change throughout ED1 period
- ENA members have commissioned EU Skills to undertake detailed analysis of requirements – aim to be able to share with Ofgem in August 12
 - We will learn from the RIIO-T1 workforce renewal planning process
 - We will use same base model as T1 to develop forecasts

Allowance setting – consistency with other activities

- Allowance setting and spend calculation mechanism must be consistent with comparative efficiency assessment methodology
- Companies have different views on approach

Company	View
UKPN SP NPG ENWL	<ul style="list-style-type: none">• The approach to setting allowances for workforce renewal should not unduly influence companies resourcing or delivery strategies• Allowances should cover the long term skills development and replacement of all labour including contractors ie in-sourced unit costs + company WFR costs must be equivalent to Out-sourced unit costs + contractor WFR costs• Analysis and modelling by EU skills must cover both in-sourced and contracting requirements
SSE WPD	<ul style="list-style-type: none">• The cost of training contractors' employees is a cost that should be borne directly by the contractors• The contractors should seek to recover the cost of the training that they undertake via schedule of rates for carrying out work for DNOs and other organisations