



Ofgem Stakeholder Engagement & Consumer Vulnerability Incentive - 2017/18
Part Two Submission:

STAKEHOLDER ENGAGEMENT OUTCOMES

Areas shaped by stakeholders

Question: What areas do you feel you are best-placed to influence / feedback on?

**WESTERN POWER
DISTRIBUTION**
Leading the industry, leading the way

	END USERS <small>Limited knowledge of WPD</small>	INFORMED SHOLDERS <small>e.g. WPD workshops</small>	EXPERT SHOLDERS <small>e.g. Challenge Panel</small>	SPECIALIST INTEREST PARTIES	INDUSTRY PARTICIPANTS	CONSUMER BODIES
OUTPUTS <small>What we will deliver for customers (not measurable targets)</small>						
INCENTIVES <small>Mechanisms to drive high performance standards to deliver targets and penalties to performance in areas such as network reliability, customer service and efficiency</small>		X	X	X		
INNOVATION <small>Including smart grids, smart meters, losses and climate change adaptation</small>			X			
EXPENDITURE <small>What we will spend to deliver our plan, e.g. loss, capital and operational expenditure, real price effects etc.</small>						
FINANCING <small>How we will pay for our plan, e.g. returns (cost of capital), Return on Regulatory Equity (RORE), Regulatory Asset Value, taxation, pensions etc.</small>						
UNDERTAINTY MECHANISMS <small>How changes to the maximum a network company can collect in light of what happens during the price control period in areas that are very hard to predict</small>						
BUSINESS PERFORMANCE, EFFICIENCY & BENCHMARKING <small>Companies Plans with other network companies to ensure efficiency. Cost benchmarking and report reviews of unit costs proposed for key activities</small>						
DATA ASSURANCE <small>Data control arrangements and processes</small>						

OUTPUTS

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INCENTIVES

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Including smart grids, smart meters, losses and climate change adaptation

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How changes to the maximum a network company can collect in light of what happens during the price control period in areas that are very hard to predict

BUSINESS PERFORMANCE, EFFICIENCY & BENCHMARKING

Companies Plans with other network companies to ensure efficiency. Cost benchmarking and report reviews of unit costs proposed for key activities

DATA ASSURANCE

Data control arrangements and processes

Annabelle Liveday
EQ

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Welcome to Western Power Distribution's **Part Two submission** to Ofgem's Stakeholder Engagement & Consumer Vulnerability (SECV) Incentive for the regulatory year 2017/18.



2017/18 is the third year of the eight year Business Plan period called RIIO-ED1. This stands for Revenue = Incentives + Innovation + Outputs (Electricity Distribution 1) and is the regulatory framework introduced by Ofgem. It is designed to drive benefits for consumers, and provide companies with strong incentives to step up and meet the challenges of delivering a low carbon, sustainable energy sector.

Western Power Distribution (WPD) is the Distribution Network Operator (DNO) responsible for delivering electricity to 7.8 million customers across the East and West Midlands, South West England and South Wales.

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 is divided into three parts:

- Part 1: WPD's stakeholder engagement & consumer vulnerability strategy 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.

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Engagement with stakeholders is core to WPD's operations. It is never a stand-alone activity or performed for token purposes – it is an essential activity before, during and after every major decision we make.

We work tirelessly to develop long-term stakeholder relationships through an enduring engagement programme that is now into its tenth year. Its foundations are built on trust and confidence, enabling us to consult stakeholders rather than just relay information to them. We're now challenging ourselves to go even further and deliver enhanced engagement where we collaborate with stakeholders and negotiate decisions from the outset.

At WPD we must never lose sight of the fact that customers pay for everything we do. For that reason the aim of our engagement is to drive constant year-on-year improvement. We never rest on our laurels. Stakeholder engagement is critical to this process by identifying the opportunities for improvement in the first place and then working in partnership to ensure the resulting outputs we deliver are appropriate, efficient and measurable.

My aim has always been to lead and not to be second at anything. The more distance we can put between ourselves and whoever is second, the better. When we speak to stakeholders no one ever asks for mediocre.

This year, more than any other, has seen some big challenges facing WPD and the wider industry. Government objectives for decarbonising energy are leading to significant increases in low carbon technologies like solar panels, electric vehicles and

electricity storage. As a result we are moving from a Distribution Network Operator (DNO) traditionally running a passive network built to accommodate maximum demand, to a Distribution System Operator (DSO) making smarter use of the existing network to manage two-way energy flows and optimise capacity in real-time. This is essential to achieve long-term energy affordability – an issue that remains a key concern for our stakeholders.

This shift requires new relationships with new stakeholders (in the last year, for example, we have seen energy storage providers and aggregators emerge) as well as different relationships with existing groups. Our approach is to engage early and often, and I expect engagement to be embedded – which means that the person responsible for acting on the feedback should be the one to lead the engagement in the first place. This submission is full of examples of local ownership, from Operational Managers facilitating our annual workshops to Network Services Managers running various connections forums at local depots.

I am determined to play a key role. I chair WPD's Customer Panel and Connections Steering Group and have led key aspects of our engagement on WPD's DSO strategy with Members of Parliament, the Department for Business, Energy and Industrial

Strategy (BEIS) and Ofgem. Stakeholders should be challenging and make demands that stretch us. In the case of our transition to a DSO they told us that they expected clear commitments and actions. We were therefore the first DNO to publish a fully-costed transition plan (£125m up to 2023), with timescales and clear deliverables.

Electricity networks are also now firmly centre stage in the public debate about energy costs and whether we are best placed to deliver the transformational DSO change required. I would highlight WPD's track record which includes best-ever levels of network performance and being the industry leader for customer satisfaction for seven years. But nonetheless stakeholders want to see more. A key focus throughout this submission is how we have sought to build trust and demonstrate the legitimacy and value for money of our actions.

Outputs are vital. "Engagement leads to action" is our overriding strategic principle, with over 195 outputs delivered in the last year alone as a result of stakeholder engagement.

Robert Symons, WPD Chief Executive

Specifically introducing our Part Two submission



Graham Halladay
Network Services
Manager – DSO

I am responsible for WPD's DSO strategy, delivery and innovation programme.

I view stakeholder engagement as an essential component at every stage of the transition, from preliminary events to identify priorities, to detailed sessions to build our work programme. My team alone has engaged over 13,000 stakeholders in the last year.

I have personally led discussions at WPD's DG forum, Connections Steering Group and events with wider stakeholders.

The emergence of energy storage providers is a great example of the invaluable role of engagement. Firstly we proactively identified stakeholders, ranging from manufacturers to trade bodies, and then worked with a specialist (Regen) to build models for the likely growth of storage. We then launched a consultation and hosted a series of events to test our approach. Feedback impacted our Distribution System Operability Framework and led to immediate new business processes for storage and improved information on our online network capacity map.

Engagement is only worthwhile if it leads us to do something differently to benefit customers, so this submission

focuses strongly on the outputs we have delivered as a result. Addressing feedback in 2016/17, we have also sought to make the strategic intent behind each activity clearer.

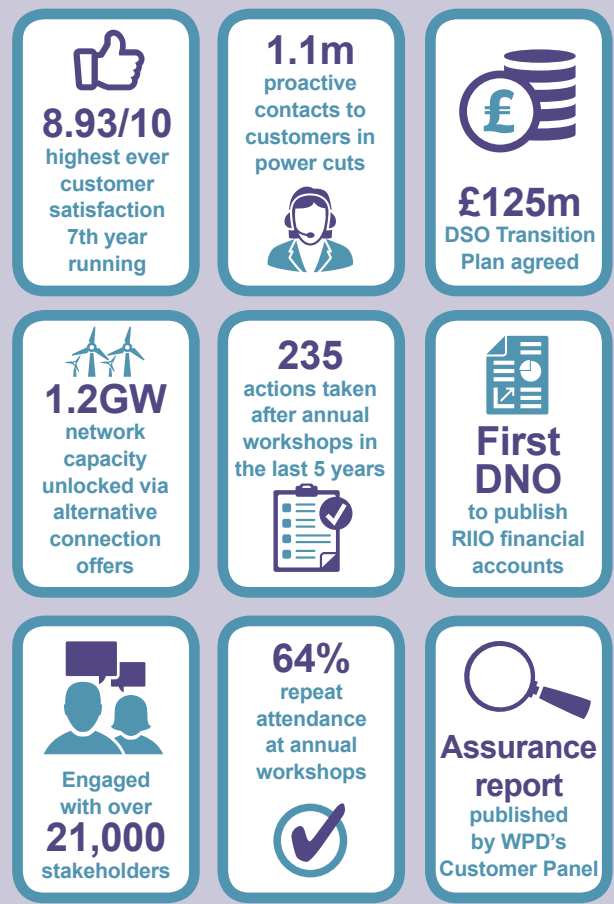
In general, our engagement in 2017/18 has focused on three areas, around which this submission is structured:

- **Delivering enhanced engagement:** *broadening stakeholders' influence and increasing their competency and power over decision making.*
- **Transitioning to a DSO:** *this is the biggest change in our history. We will use feedback to deliver outputs and changes to our approach.*
- **Demonstrating legitimacy:** *respond to concerns over energy costs, value for money and our future role.*

Collaboration is embedded as part of our overall approach to engagement. Rather than a stand-alone section, you will find examples of joint working throughout the submission, from working with Citizens Advice to define an engagement framework for the next price review (page 5) to joint studies with National Grid to aid our DSO strategy (page 6). Taking a whole-system approach is essential as we deliver an integrated future energy system in an efficient, joined-up way.

Meaningful engagement that leads to action is key to this challenge. We are proud of the extensive outputs we have delivered for customers this year.

Key outputs we've delivered:



OUR STAKEHOLDER STRATEGY

We believe that stakeholder engagement must be a broad, inclusive and continuous process. Our goal is to seek constant improvement, raise standards and be the number one performer in our industry by every available measure. Every key decision we take as a business must therefore be influenced by stakeholders.

This is more important than ever, as networks face an unprecedented shift in our operations as we become a Distribution System Operator (DSO). The pace of this change, uncertainties over what it will look like in the future and the new relationships and services with customers it will require, make the need for extensive and embedded stakeholder engagement imperative.

Core strategy

WPD's engagement strategy has been in place for over ten years and is set out in detail in Part One, page 2. It follows a cyclical process that starts with identifying new stakeholders, as well as changes to the priorities of existing groups, and engaging them proactively to identify their needs. Once we have this feedback, we continue to consult to devise appropriate actions to address it. Stakeholders are then invited to review and refine our implementation. Finally, once the action is embedded, stakeholders are asked to assess the impact.

The strategy also sets out our model for tailoring engagement to the specific knowledge and interest of each stakeholder group. "Putting stakeholders at the heart of our decision making" can mean different things to different people. It is easy for companies to conflate 'informing' stakeholders with 'consultation', for example. At WPD we believe that 'informing' has a role to play and we do so extensively to our 7.8m

customers on a range of issues, utilising surveys, newsletters, websites, podcasts and social media. But WPD's aspiration is always to build stakeholders' understanding, trust and confidence to enable them to, as a minimum, be consulted in a two-way process. That way they can ask questions of WPD and, crucially, we can ask detailed questions of them and use their answers to refine our delivery. Wherever possible, we strive to go further and 'partner' stakeholders where their expertise enables a greater share of accountability, with joint learning and negotiated decisions and actions. This is what we mean when we say that stakeholder engagement is at the heart of WPD's decision making.

An enduring approach:

WPD's engagement strategy is well established and longstanding. Its longevity is not a sign of inflexibility or a resistance to change. It is an indication that it is proving adaptive and agile in the face of change.



It undergoes external assessment every year (see Part One, page 8) to ensure our approach remains frontier. Its appropriateness is evidenced by the huge number of positive outputs we deliver as a result of engagement – 195 in 2017/18.

Having a clear and enduring strategy is a huge strength – it ensures everyone at WPD understands what we are seeking to achieve and their role.

Engagement is never an after-thought or bolt-on activity, but always the first thought in every new process.

WPD's principles for engagement

Six key principles underpin WPD's engagement strategy. Principles are only meaningful if they truly influence delivery. Signposted below are examples within this submission of how these principles have been put into action:

Engagement must lead to action

We never host talking shops or tick-box exercises. We always engage for a reason and feedback drives outputs.

Pg 5: 195 outputs outlined in Part One, pages 5-7 as a result of feedback from specific engagement activities.

Engagement is everyone's responsibility at WPD

WPD's core activities are co-ordinated by a Stakeholder Engagement Manager, but delivery is local and embedded. Staff leading our engagement should be the ones with direct responsibility for acting on the feedback received.

Pg 8: Competition in Connections forum led by a Network Services Manager.
Pg 8: DG Operator/Owner Group led by the Network Control Manager.
Pg 10: Local network investment events led by Operational Managers.

Utilise a range of engagement methods but face-to-face is always best

To suit stakeholder preferences we've added webinars, podcasts and social media, for example. These are never a substitute only a complement to two-way, direct dialogue, which is better for discussion/explanation of complex issues.

Pg 4: 250 stakeholders at our flagship workshops, plus 295 Twitter votes.
Pg 7: Webinars on WPD's strategic network investment studies.
Pg 6-9: 13,000 stakeholders engaged on our DSO strategy.

Be transparent about feedback and accountability

We publish all presentations, reports and action plans, with named members of staff responsible for delivery. Actions are taken quickly – we do not require internal steering group approvals or complicated decision making processes.

Pg 6: Fully costed DSO strategy published along with a comprehensive consultation process.
Pg 7: Distribution System Operability Framework published and consulted on.

Build long-term relationships with stakeholders

We will earn trust by demonstrating that feedback leads to measurable outputs we report back on. As stakeholders' knowledge and confidence grows, the breadth of their influence and ability to critically challenge will increase.

Pg 4: 10th year of stakeholder events with 64% return attendees.
Pg 5: 10th year of WPD's Customer Panel with steps taken to further strengthen its influence.

Collaborate wherever possible, but if it slows progress, take the lead

We share best practice openly, learn from others and encourage co-delivery in common interest areas. If industry parties are slow to act, we will not wait forever. We then share our learning to inform eventual industry-wide solutions.

Pg 9: Data Privacy Plan for smart meters approved by Ofgem.
Pg 9: Joint-DNO community energy events and best practice guide.
Pg 10: First joint national resilience day with all electricity and gas networks.

An updated approach - looking ahead to the next price review and networks of the future

In light of the changes we face as we transition to a DSO and greater scrutiny of the legitimacy of our role, it is vital we seek to deliver enhanced engagement. To do so we will focus our engagement in four areas:

Engage on current service standards and options to drive continual improvement

Allow stakeholders to review our delivery against our current Business Plan

Involve stakeholders at every stage of our transition to a DSO, enabling them to influence our plans and participate fully in (and benefit from) our future operations

Seek early input to develop our future Business Plan

As we do so, our strategic goals are:

Transparency - we must clearly articulate what opportunities there are for stakeholder input.

Understanding - we must explain the role we require of stakeholders as consumer representatives.

Clarity - we must be clear about how their input can influence our plans and how other decisions will be made.

Confidence - we must be flexible to the different needs of stakeholders and provide the right amount of information and support for them to contribute confidently to the process.



We are uncompromising in our insistence that stakeholder engagement must lead to action. The 195 outputs we have delivered in 2017/18 as a result of engagement are a testament to this (see Part One, pages 5-7). These actions have driven ever higher standards of performance. As a result, WPD has been rated number one for customer satisfaction for the 7th consecutive year, with satisfaction having increased every year. But to be truly frontier we must go further and seek to measure the social value we have delivered. This will enable us to build a programme that delivers maximum value to customers by ensuring that our actions and expenditure are appropriate in light of the value customers place on the outcome achieved.

The challenge

Customers pay for everything we do, so they have a right to expect value for money. Some activities have a clear financial benefit against which the delivery costs can be weighed; for example, the cost to provide alternative connections offers by using the existing network more flexibly (by installing smart technology to control energy flows in real-time, see page 8) can be compared to the savings made by avoiding more expensive network reinforcement. But for the majority of actions resulting from stakeholder engagement, the outputs are qualitative - e.g. customers are able to access information more easily and quickly during power cuts. This can make it difficult to judge if customers value the benefit sufficiently to justify the cost to deliver it.

Identifying a best practice approach

Over the last three years we have greatly refined our approach to measuring social value, seeking to derive quantitative, monetised values for the outcomes we deliver. We have progressed from initially carrying out retrospective calculations after key projects were completed, to now conducting annual research to influence our decisions before we act. Building on this, in July 2017 we tasked Price Waterhouse Coopers (PWC) to undertake a study of 13 existing social value measurement techniques in order to draw out best practice principles for energy networks to use. They engaged 11 companies considered leaders in the area, including Social Value UK, Big Society Capital and Welsh Water.

The study revealed that despite its increasing prominence, there is still not a single, universally-agreed definition of social value. As a key first step we asked PWC to recommend a single definition for all DNOs to adopt: *"The value customers place on the effects DNOs have on people and society by enabling them to input to their strategic and operational direction and by addressing the needs of vulnerable customers."* While there is also not a universally-accepted technique, there is an increasing convergence in what constitutes good practice. The study concluded that the best way to overcome the limitations of different methods is to combine them. WPD's approach therefore encompasses three strands:



Qualitative

• Ask a wide range of stakeholders what they value and what their priorities for improvement are. In 2017/18 we engaged over 21,000 stakeholders at almost 500 events on a wide range of business delivery areas (see pages 4-5 for example)



Quantitative

• Wherever possible, express the impacts of WPD's service improvements in measurable, numerical terms (see the quantified outputs shown in green throughout this submission)



Monetary

• Seek to express the full social benefits of our activities in monetary terms, where previously these may have been overlooked or discussed qualitatively. *"Willingness to pay/stated preference research is considered to be a robust technique to measure value."* - PWC

Stated Preference Valuation Research

Overall, it is important to be transparent about the value WPD truly creates. Some activities generate changes for customers that are directly attributable to the action, while some changes will be influenced by a broader range of factors. WPD never seek to overstate our impact – we look to identify the minimum value our actions have delivered, base this on explicit, quantitative outputs achieved, and derive monetary values by asking customers directly rather than employing abstract calculations.

For a second year we worked with UK Power Networks to apply a consistent methodology in our regions. We engaged research specialists Accent to survey 614 domestic and business customers, using specially constructed stated preference questionnaires to derive the intrinsic value customers place on a range of possible outputs. Social value is inferred from the amount of money people would *hypothetically* be willing to pay to see them delivered.

We are not asking customers to pay more to fund these activities, but using the technique to reveal the intrinsic value to them of the actions we can deliver.

The derived values should not be used in isolation to justify expenditure. The research should be used as a mechanism to prioritise actions (based on the value of the benefits they bring), and PWC therefore recommends they should be triangulated by qualitative feedback from stakeholders. Acting on this, we commissioned follow-up focus groups with 200 customers to test the values and customer's overall priorities. In total we tested 16 potential actions. The results pertinent to this Part Two submission were as follows:

	Action	Value per customer
Customer service	1 Power cut information in a range of formats and self service options	£2.15
	2 New accessible formats for customers with special communication needs	£1.30
	3 Power cut calls answered <4 secs (industry standard is 20 secs)	£1.10
Smart networks	4 Re-engineer the existing network to become smarter/more flexible	£3.55
	5 Increase the capacity of the existing network in anticipation of electric vehicle uptake	£2.45
	6 Access to network information to enable customers to assess options to participate in a 'smart' network	£1.85
	7 Enable smart metered customers to tailor the service they receive from WPD during power cuts	£1.70
Communities	8 Educate 50,000 school children (on safety, vulnerable customers, etc.)	£1.86
	9 Help 10,000 small businesses to improve their power cut resilience	£0.89
	10 Engage local stakeholders to explain WPD's local investment plans to aid their future planning	£0.62

The cost benefit of our actions

This exercise helps us to develop a programme with stakeholders that not only delivers improvements, but returns maximum value to customers by helping us to prioritise actions, resources and expenditure.

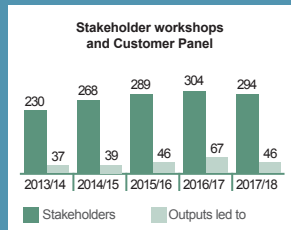
	Key actions valued by customers	Value	Outcomes delivered by WPD (incl. any additional savings)	Cost	Cost benefit
Customer service	Power cut information in a range of formats and self service options	£2.15 per customer	1.1 million proactive power cut contacts (54% of all power cut contacts). Plus: • Two-way text messaging and Next Generation Text Lite • 24/7 webchat, facebook and Twitter • Live online power cut information map and online power cut reporter • Proactive storm performance reports to stakeholders	2p per customer (£145k total)	£2.13 per WPD customer
	Re-engineer the existing network to become smarter/more flexible	£3.55 per customer	DSO strategy and fully-costed £125m action plan (if spread evenly this is £25m per year until 2023). Plus associated outputs, e.g: • DSO strategy events • Distribution System Operability Framework published • Four regional strategic investment options reports produced • 1.2GW capacity unlocked via 174 alternative connection offers • First joint Regional Development Plan with National Grid • Chair the ENA's Open Networks Project	£3.24 per customer (£25.3m total)	£4.59 per WPD customer
Smart networks	Increase the capacity of the existing network in anticipation of electric vehicle uptake	£2.45 per customer	Online capacity map including storage, available headroom and likely reinforcement costs. Plus associated outputs, e.g: • Community energy guides, videos, podcasts and events • Improved 'Technical Information' website • Innovation strategy event	2p per customer (£128k total)	

SUMMARY

Reach: 294

Cost: £182k

Track record:



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OUTPUTS OVERALL

For example:



4 new Business
Plan outputs



Collaboration with
Citizens Advice
on enhanced
engagement for
RIIO-ED2



Tailored, proactive
smart meter power
cut alerts



WPD's Customer
Panel published an
assurance report
on our performance
and engagement

Driven by our strategy:

In 2017/18 we challenged ourselves to explore with stakeholders whether we can broaden their scope of influence. We introduced changes to make our existing Customer Panel more robust and independent. Our intention is to create the conditions for WPD's key stakeholder forums to understand our network, scrutinise and challenge our future Business Plans, test if we have robustly explored key issues with relevant parties and provide independent assurance of this to Ofgem. Over the last year, we sought views on our current RIIO-ED1 performance but also began to consult on vital framework decisions required for RIIO-ED2, including the outcomes stakeholders want us to deliver, the most effective engagement mechanisms and which components of our plans they are best placed to impact. It is also essential that engagement is at the heart of the biggest change facing our business - becoming a Distribution System Operator (DSO).



Stakeholders said:

Workshops 2017: Demonstrating that feedback leads to clear outputs is essential.

Ofgem and Citizens Advice: Stakeholders should influence further than ever before, via robust engagement mechanisms that provide independent assurance of the processes followed by DNOs to arrive at plans.

Embedded delivery:

33 Operational Managers facilitated WPD's workshops. Engagement is part of everyone's role. It is essential that those tasked with acting on stakeholder feedback hear it first hand.

◀ *Simon Havill, Derby Operational Manager at a workshop in February 2018*

ENDURING DELIVERY

10th year of stakeholder workshops

WPD's latest annual workshops are an enduring component of our engagement programme and help to shape our priorities for the years ahead. In February 2018 events at six locations across our operating area, encompassing large cities and rural communities, saw us engage with 250 stakeholders.

Short presentations from WPD Senior Managers were followed by facilitated round-table discussions with a varied cross-section of stakeholders including domestic and business customers, suppliers, local authorities, elected representatives, consumer bodies and new market entrants.

The overall objective is simple: to ensure WPD's performance improves year-on-year and we maintain our number one ranking from customers in all measures. We do this by ensuring engagement leads to clear, measurable actions that stakeholders can hold us to.

Our coverage reached 54,000 people, helping to significantly raise the profile of our activities and opportunities to participate in future engagement. We achieved 295 feedback responses. Crucially this supplemented the views of the 250 well-informed stakeholders on the day, with those of wider end users.



Our 2018 sessions led to 20 outputs (see Part One, page 5), making a total of 235 via these forums in the last five years alone.

We achieved our highest ever return attendance rate of 64% - with stakeholders stating they find it so worthwhile because WPD take their feedback very seriously. We have worked hard over the last 10 years to build up the knowledge and capacity of our stakeholders to understand our business and operations to enable them to feedback, in detail, on a wide range of topics. This, coupled with our track record of demonstrating that engagement leads to outputs, has been essential in building long-term and effective relationships with stakeholders.

NEW INNOVATION

This year each stakeholder used a tablet device to follow

the presentations, register live feedback and vote on a number of questions. In addition, we introduced extensive online polling via Twitter and sought feedback via questions on LinkedIn. We posted 23 times over the two weeks of workshops, providing presentation extracts and the same questions discussed by stakeholders.

The workshops featured four sessions:

1. WPD's RIIO-ED1 outputs and performance

- Target:**
- Enable stakeholders to understand and review our current performance.
 - Review existing RIIO-ED1 output categories (Safety, Reliability, Environment, Connections, Customer Satisfaction and Social Obligations), consider new issues that have emerged since WPD's Business Plan was prepared in 2013 and decide whether new output commitments are required (in addition to the existing 76).

Feedback: WPD should create a new output category for the transition to a DSO.

Topics that have emerged since our Plan was agreed	Importance (out of 10)	WPD should create new outputs immediately
Cyber security	8.2	69%
Electric vehicles	7.9	69%
DSO transition	7.2	51%
Flood risk plans	7.0	33%
Alternative connection offers	7.0	60%



Specific outputs

- WPD's RIIO-ED2 Business Plan will add a new output category for DSO
- We have created four new Business Plan output commitments for 2018/19 (cyber security; electric vehicles; DSO transition; alternative connection offers) and will report on progress in our next business plan commitments report

2. WPD's current performance and outputs

- Target:**
- Determine the key outcomes stakeholders want us to deliver.
 - Stretch stakeholders' scope of influence by identifying the Business Plan components they can shape.
 - Determine the most effective engagement mechanisms for business planning and the amount of power stakeholders are given.

NEW INNOVATION

In a major new step we invited Citizens Advice, as the statutory

consumer body, to present at every event (pictured) to discuss ways all DNOs can give customers a stronger voice in future business planning, and how the mandatory creation of Customer Engagement Groups (CEG) can work effectively.

Feedback: Stakeholders would like WPD to allow them to have a much broader influence. We asked who was best placed to review the following Business Plan component areas and to rate their importance.

	Overall importance (out of 10)	End users	Informed stakeholders	Expert stakeholders	Special interest groups	Industry parties	Consumer bodies	Ofgem
Outputs	7.4	✓	✓	✓	✓	✓	✓	✓
Incentives	6.7	✓	✓	✓	✓	✓	✓	✓
Innovation	7.9	✓	✓	✓	✓	✓	✓	✓
Expenditure	5.2		✓	✓	✓	✓	✓	✓
Financing	3.8					✓	✓	✓
Uncertainty mechanisms	5.0		✓	✓	✓	✓	✓	✓
Efficiency	4.8						✓	✓
Data assurance	3.5						✓	✓

✓ = input in RIIO-ED1 ✓ = desired input in RIIO-ED2



Specific outputs

- Six key outcomes agreed for WPD's Business Plan. Our next stage consultation will identify draft outputs to achieve them in RIIO-ED2
- WPD will significantly broaden the Business Plan components stakeholders can influence but tailor to their knowledge (e.g. consult on 'bill impacts' in relation to expenditure)
- Amended the scope of WPD's Customer Panel to reflect that of a CEG (see below)

3. The impact on customers of WPD's transition to a Distribution System Operator (DSO)

- Target:**
- Present WPD's updated DSO transition plan and outcomes following July 2017 consultation.
 - Discuss the key impacts for different customer groups.
 - Develop plans to ensure vulnerable customers benefit, and are supported, in a smart future.

Feedback: Stakeholders endorse WPD's transition plan, strongly welcome the detail on costs and want an annual update. Facilitating electric vehicles is a key priority. At this stage WPD is right to first engage industry participants (as we begin to develop many DSO capabilities), but there is

more to do to better communicate benefits for local communities and vulnerable customers.

How well do you understand the impacts for these customer groups?	Out of 10
Large energy users	6.0
Distributed generation & storage providers	6.0
Smart technology providers	5.7
Local communities	4.5
Vulnerable customers	3.9

Specific outputs

- WPD will deliver a programme of community energy events focusing on practical case studies to better explain the impact on customers of the change to DSO
- WPD will produce three explanatory videos on:
 - The shift to DSO; the role of flexibility; how we are facilitating electric vehicles
- WPD will hold webinars on DSO & flexibility
- WPD will enable vulnerable customers to fully customise the times they receive proactive calls from WPD when we receive power cut alerts from smart meters

4. Topic-specific surgeries

- Target:**
- Create detailed actions plans for:
 - Consumer vulnerability.
 - Connections.
 - Losses and innovation.

Round-table sessions were led by the responsible WPD Senior Manager for each area, giving stakeholders the power to suggest actions and challenge performance.

Specific outputs

- Reduced time for partners to contact referred fuel poverty customers to <2 weeks
- Agreed expansion plan for WPD's new 'Power Up Health' scheme working with oxygen providers (see Part Three, page 9)
- Produced an e-learner to explain the PSR and referral process to potential partner agencies
- Held a series of local network investment planning sessions at local depots
- Developed an online investment map detailing current projects in the East Midlands (to be rolled out company wide)

ENDURING DELIVERY

Customer Panel enters its 10th year

In order to give consumers a stronger voice in setting outputs, shaping and assessing plans, we have taken steps to evolve our enduring expert panel to enable it to provide even greater levels of independent challenge, with the power to directly suggest areas of stakeholder concern and negotiate solutions.

Membership: 44 permanent members (ten new in 2017/18) including subject matter experts, consumer representatives and wider stakeholders from 11 key segments including businesses, utilities and vulnerable customers.

Format: Quarterly meetings led by WPD's CEO and a Director. An independent Panel Leader has been appointed to chair member-only 'closed' sessions.

NEW INNOVATION

Remit: The enduring purpose is to challenge WPD's

performance, improvement plans and engagement approach. We have added a requirement to provide **assurance** to Ofgem that we address stakeholder views appropriately.

In 2017, WPD's became the first DNO Panel to publish a member-written assurance report alongside our 2016/17 Business Plan Commitments report to provide an independent view on WPD's engagement processes and the actions they have led to.

Acting on feedback to the Citizens Advice session at WPD's workshops we have sought to extend the power of the Customer Panel beyond consultation, to negotiate detailed actions and delegate some decisions to them as expert consumer representatives.



Our 2017/18 sessions led to 26 outputs, examples of which include (see Part One, page 5 for full list):

Specific outputs

- Customer Panel given power to decide on how to utilise our latest social indicator data and horizon scan of available partnership schemes. As a result we will host two events to bring together these agencies and launch an innovation fund to collaboratively target high vulnerability areas
- Members developed new connection application forms, significantly reducing their length and complexity. Customer satisfaction increased to 8.78/10
- Published a 'Distribution Charging Overview' guide and webinar to help stakeholders to better understand our charges

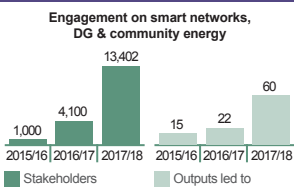
SUMMARY

Reach: 13,402

Cost: £603k
(+£25m DSO transition cost p/a)

Value: £9.55* per customer

Track record:



*Based on value for money research on page 3 (value of actions 4-7)

60

OUTPUTS OVERALL

For example:



£125m

DSO Transition Plan agreed



1st

Joint Regional Development Plan with National Grid

1.2GW

Network capacity unlocked via new alternative connection offers



Highest ever distributed generation satisfaction

1st

Smart Meter Data Privacy Plan

Driven by our strategy:

Technological change, consumer preferences and the need to reduce carbon emissions are changing the way energy is generated, transported, stored and supplied in the UK. This is resulting in the need for a smarter, more integrated energy system where the traditional boundaries of distribution and transmission may blur and relationships with customers will change. WPD's over-riding principle is to place engagement at the heart of every stage of this shift, to ensure we comprehensively understand and respond to the changing requirements of our stakeholders and that they actively shape our approach rather than just be informed about it. Our DSO engagement strategy is therefore:

- **To lead the debate about the role of networks in the future** – by consulting on a robust DSO strategy and action plan that seeks to lead the industry in transitioning to a DSO (see below).
- **Make substantive progress in transforming our operations immediately** and take all stakeholders on the journey with us, not just industry bodies and well informed representatives (see page 7).
- **Recognise and respond quickly to the fact that we must engage in significantly new ways with new parties** on these developments – for example community energy groups, Local Enterprise Partnerships, local authorities, storage providers and aggregators (see page 8).



Stakeholders said:

Workshops 2017: WPD should be commended for having a comprehensive and clear strategy, but "what's in it for me?". WPD needs to better explain the transition to a DSO in terms of impacts to customers, not just in terms of engineering steps.

Embedded delivery:

DSO sessions at WPD's stakeholder workshops were facilitated by 33 Operational Managers and bespoke DSO round-table events held at four local depots, to explore with customers the impact on local network operations. Our DSO consultation, launch event and webinars were led by WPD's Operations Director and Network Strategy Manager.

◀ *Phil Swift, WPD Operations Director, at a DSO consultation event in September 2017*

ENDURING DELIVERY

Becoming a Distribution System Operator

At high voltage, where there has been rapid increases in distributed generation (DG) such as solar and wind, as well as energy storage and heat pumps connecting directly to our system, we will use smart grid technologies to create flexibility in the existing network. At low voltage, we must build modern infrastructure to accommodate technologies such as electric vehicles that present a significant increase to the electricity usage levels our network was designed for.

Smart networks fit for the future will present a huge challenge to deliver affordable, flexible networks and minimise the risk of stranded assets that once built may become obsolete. The speed of change is rapid and it is essential that we plan now, and are fully transparent about our approach. Proactive dialogue is vital, including the widest range of stakeholders possible (but tailored to their knowledge) to enable them to actively shape this future.

We are also seeking to engage with new and future market participants, with whom we will have had little interaction in the past but who may play a significant role in DSO operations. We are using early engagement to understand how to best facilitate these key, new interactions. Since 2015, we have focused on developing and testing the new capabilities we will need as a DSO, and have involved over 5,000 stakeholders extensively



at every stage. This led to a high-level DSO-enabling strategy centred on four key actions to:

- Optimise investment at higher voltages.
- Contract with customers for commercial solutions.
- Co-ordinate at the transmission/distribution interface.
- Protect the integrity of low voltage networks.

NEW INNOVATION

A fully-costed DSO strategy and consultation

In June 2017 this long-term engagement culminated in WPD becoming the first DNO to publish a DSO strategy and transition plan with specific costs and timescales.

Crucially, it was accompanied by a comprehensive, four month consultation process. We hosted a launch event for over 120 informed stakeholders including academics, technology providers and major users to understand our proposals in greater detail, and to pose questions to our Management Team and an independent panel of industry experts, that we formed to provide an extra layer of scrutiny and challenge to our planning.

We also held targeted round-table sessions in each licence area, with 62 stakeholders from a broad range of perspectives including businesses, customer groups, local and national policymakers (e.g. several MPs including the Shadow Energy Minister), universities and industry bodies. The purpose was to facilitate an open and informed discussion and collect valuable qualitative feedback from expert stakeholders that may not have otherwise engaged via the written consultation process and formal launch.



Each round-table was independently chaired by Regen (a community energy specialist group) and facilitated by WPD's Operations Director, Network Strategy Team Manager and Future Networks Manager, demonstrating our desire for such key engagement to be embedded in our business, led by those directly responsible for acting on the feedback gained.

Stakeholders said our plan laid a valuable foundation for the future of energy in our regions. In December 2017 we published an updated strategy, clearly accounting for the views given. We then launched this to wider stakeholders at our February 2018 workshops.

22 WPD's work plan commits to 22 outputs to develop DSO functionalities, achieved via £125m of specified investment up to 2023.



Examples of changes since the consultation:

- Closer collaboration with National Grid to deliver whole system outcomes and new market models
- We made it clearer what it means for customers by outlining impacts for five key groups: large energy users, distributed energy users, smart technology providers, vulnerable customers and local communities
- WPD will not invest in flexibility services where the market can do so more economically - we will signpost our flexibility needs ahead of a technology-agnostic procurement process
- Prioritise four key actions for delivery now (see below)

What this told us:

In addition to agreeing WPD's DSO strategy and action plan, stakeholders told us we must rapidly transform our operations, translate innovation into tangible, measurable outputs and give stakeholders the chance to shape our delivery at every stage. They want to see collaboration with National Grid, other DNOs and industry bodies to share learning and deliver cost-effective solutions. Our consultation identified four key priorities for stakeholders:

- **Whole system planning.**
- **Whole system operation.**
- **Facilitating new flexibility services.**
- **Communication with stakeholders** - tailoring our engagement for those who want to be actively involved in DSO operations, as well as those who just want to be consulted and informed. For all stakeholders there is an overarching need to explain the transition to DSO in simple terms.

Sitting above each of these four priorities is an ever increasing requirement for information on our future plans and access to network and asset data. The engagement work we have done over the year, and the outputs we have delivered as a result, therefore reflects these priorities.

NEW INNOVATION Whole system planning

Developing strategic network investment studies is a critical first step to enable stakeholders to understand the impact of the DSO transition. We began by identifying potential pinch points on the network and through collaborative modelling with the Transmission System Operator, National Grid (NG), identified potential "low regret" reinforcement solutions (upgrading the network in areas where there is a very high probability of extra capacity being needed in the future).

Ongoing engagement with stakeholders will be crucial to improve our next round of energy scenario forecasts. Our work with local authorities and Local Enterprise Partnerships for example (see page 8), has influenced our demand and generation forecasts. In the emerging area of energy storage we launched a consultation to help model the different ways storage may be utilised on our network (see page 8).

Specific outputs:

Developed regional strategic investment option reports (to 2030) across each of our four licence areas

Using the same framework as National Grid we have developed detailed plans against four economic energy growth scenarios to assess the likely impact on our network. We have developed new, detailed modelling techniques to suit the varying challenges faced on the network from issues associated with solar dominated networks in the South West to demand dominated networks in the Midlands. All of these have been published,

with four accompanying consultation events with over 120 stakeholders, to enable them to review the studies and provide them with advanced notice of likely constraints.

This will enable WPD to plan for advanced strategic network investment as we closely monitor likely uptake of low carbon technologies, while also assessing the availability of customer-provided distributed energy resources to provide flexibility services as alternatives to network reinforcement.

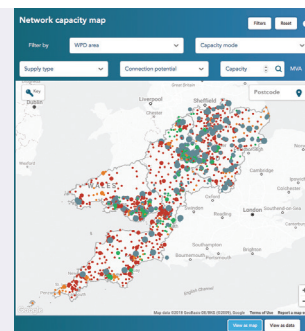
In line with our strategy to supplement face-to-face engagement wherever possible with a range of online mechanisms in order to attract a broader range of stakeholder representatives (including the 'time poor'), we introduced webinars and podcasts as standard for all of these consultations.

New online Network Capacity Map, including storage for the first time

The map provides data on capacity headroom for demand and generation with simple red, amber, green indicators and likely reinforcement costs. Users can filter by the type of technology they want to connect, connection potential and substation type. Throughout development we consulted our

46 Connections Steering Group members and ran a bespoke workshop with 12 key industry stakeholders. Following feedback we added a further development to display National Grid's Statement of Works responses, as these can also impact connection availability. We also:

- ✓ Enabled data downloads in Excel format.
- ✓ Added likely reinforcement costs.
- ✓ Now refresh data monthly (from quarterly).



First Regional Development Plan produced jointly with National Grid

Collaboration: Stakeholders felt that whole system network studies covering transmission and distribution should result in action. In March 2018 we published a collaborative Regional Development Plan (RDP) for our South West region, to facilitate the additional generation predicted in our long-term strategic investment report. The RDP recommends technical and commercial joint-actions. Ultimately these will provide better use of local network capacity for DG connections and reduce the time for customers to connect.

NEW INNOVATION Whole system operation

We must increasingly work with customers to access resources (e.g. storage) and services (e.g. demand side response) they have at their disposal that may benefit the distribution network.

Opening dialogue at this early stage will enable us to work with customers to economically provide whole system solutions on factors ranging from network design to real-time network operation.

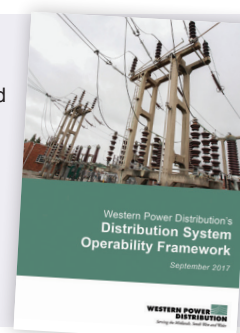
Specific outputs:

Only DNO to publish a Distribution System Operability Framework (DSOF)

Collaboration: This is an assessment of the technical and commercial issues facing DNOs as we become DSOs. We shared it with all DNOs, IDNOs and NG, raising nine potential

technical problems identified as arising at the boundary between DNOs and the transmission network.

In January 2018 we held round-table engagement sessions to seek feedback on our DSOF from a broad range of stakeholders.



- ✓ We then issued a call for evidence for third parties to come forward with proposals to collaborate with WPD to provide a range of solutions to the technical issues identified, resulting in nine projects.
- ✓ The DSOF will help to reduce time to connect for DNO customers due to active coordination with National Grid ahead of customer applications.
- ✓ This led to a new 'Operational Tripping Scheme' that allows the control of parameters

on one network for the benefit of the other to alleviate constraints caused by high DG levels.

Increasing levels of DG connected to WPD's network (already totalling 9GW on a network originally built for a 14GW of maximum demand) brings about new operating challenges. We work with our stakeholders to identify and address these. For example:

- ✓ We created a DG Operator/Owner Forum with 28 stakeholders, to provide them with early publication of likely constraints to their operations

due to routine WPD maintenance works. Ownership for this group is embedded within the business, chaired by WPD's Control Room Manager (pictured).



NEW INNOVATION Facilitating new flexibility services

As a DSO we will need to balance generation and demand in real time using flexibility services provided by third parties (e.g. DG customers turning generation up or down, or storage customers providing flexibility over when they charge and discharge). Our DSO consultation revealed a key priority is for WPD to enable flexibility markets that are simple to understand and easy to participate in. In 2017/18 we:

Developed models to predict future growth of energy storage and flexibility plans this will enable

Emerging stakeholders: The last year saw a dramatic increase in connection applications from energy storage providers. To understand the potential impact on the grid, we worked with the specialist body, Regen to create an approach to model the future growth and operation of storage assets. In May, we consulted 27 storage manufacturers, control system companies, developers and consultants to establish if our current analysis, including assumed business models, operating models and project specifications were appropriate and reflected the sector's view. As a result, we adjusted our network modelling assumptions in a number of areas. For example:

- ✓ Added a new business model of 'Energy Trader' into our modelling, where smaller storage customers may be aggregated to take advantage of low/high price periods.
- ✓ Changed our modelling assumptions of how much energy storage operators will be prepared to discharge from 80% to 95% based on the feedback from operators.

Created two new types of alternative connection for storage and demand

We are rolling out active network management (ANM) zones, where we install a range of smart grid solutions to automatically control DG levels and reconfigure the network in real time. This enables us to offer a suite of alternative connections where customers can connect quicker and at reduced cost, in return for agreeing to some form of curtailment at times when the network is at full capacity, therefore avoiding expensive reinforcement.

- ✓ We launched two new non-innovation funded ANM zones, acting on stakeholder feedback for network-wide roll-out by 2021.
- ✓ We have expanded alternative connection offers originally created just for DG to include storage as well as traditional demand. This gives us the ability

to manage constraints across all our network in future.

- ✓ 174 sites offered alternative connections, releasing up to 1.2GW of network capacity, including the first ever demand alternative connection in Lincolnshire.

WPD leading the Energy Networks Association's 'Open Networks' project

Taking a whole system approach is essential to delivering the best outcomes for customers. WPD's Network Strategy Manager chairs the industry forum that is helping to coordinate the transition to DSOs by laying commercial, technological and operational groundwork to deliver smart grids of the future. Joint actions this has already led to include:

- ✓ All networks agreed common core DSO functionalities, regardless of the allocation of these roles in different market models.
- ✓ Shared best practice for the management of connection applications.
- ✓ WPD and National Grid trialled and rolled out improved processes to simplify DNO connections that also require transmission works (called Statement of Works).

ENHANCED DELIVERY Engaging new and existing stakeholders

In November we hosted our fourth annual DG workshop with 43 stakeholders including developers/installers, community interest groups, major users, government bodies, trade bodies, technology providers, universities and utilities. Discussions were facilitated by WPD Operational Managers with responsibility for the key areas discussed: the connections process, outages, DSO transition and provision of information, as well as in-depth surgeries ranging from energy storage to land rights to strategic investment.

A stakeholder at the event put it best:

"DSO requires you to be much more engaged in the local area. You're running a system, not just wires, so you need to understand how people will behave. You need to know: forecasting, long/short-term trends, geography, political makeup and housing plans; so it forces DNOs to be much more engaged with a wide range of stakeholders."



Local authorities (LAs), Local Enterprise Partnerships (LEPs) and developers



You said: *DG workshop:* WPD should make more pre-application data available on assets and constraints to help inform strategic investment decisions and improve communication throughout the connections process.

We did:

Wrote to all 268 LAs and LEPs in our region sharing a suite of information online to aid their long-term planning

Government has ambitious plans for creating new homes across the UK. To do this, LAs and LEPs have told us they need certainty over existing network capacity and potential reinforcement costs. Our engagement aimed to establish new relationships, understand their requirements and help them make informed decisions and long-term plans. We shared the wide range of network data we make available,

including our new capacity map and WPD's new strategic network investment forecasts.

Created a Competition in Connections (CiC) Customer Group and held five connections surgeries at local depots

These aim to enhance our engagement with Independent Connections Providers (ICPs) and establish improvements to overall connections processes including legal consents, information provision and self-connection. We engaged 150 stakeholders via these forums in the last year.

Specific outputs

- Highest ever DG customer satisfaction of 8.83/10, with the quality of information provided before applying improved by 10%
- LA local development plans are now fed into our strategic investment forecasts
- Introduced shorter, simplified connections application forms
- Introduced a new e-mail-based connections self service process for all ICPs
- Key Account Managers in place for 75 large users, to ensure a single point of contact for all schemes

ENHANCED DELIVERY Local communities



You said: *Community energy events:* WPD should provide DSO information in more practical terms and explain "what is in it for me?" for wider stakeholders, especially local communities, including practical case studies and examples of how they can participate in DSO operations.

We did:

Since community energy (CE) groups emerged as new stakeholders our engagement has rapidly evolved in line with their needs. In 2015, the focus was on providing education on the energy system and connections process for generation. By contrast, last year we discussed local community involvement in a future energy system, including innovation, developing flexibility services and new business models (e.g. self-supply, storage and shifting demand) for community groups after government subsidies have ended.

This is a significant example of how the shift from DNO to DSO requires us to work more closely with local communities. Crucially our engagement events are also widely attended by several newly emerging stakeholder groups such as aggregators, storage operators and local energy suppliers and cooperatives.

Highlights of our approach in 2017/18 include:

"New" Held eight 'Future Flexibility Markets for Beginners' workshops

The volunteer-led and complex nature of CE projects means groups need more time and support to engage in the connections process, so we prioritise face-to-face, bespoke engagement. In 2017/18 we saw 324 stakeholders. Responding to their growing knowledge and desire to participate in the future energy system, we have increased the interactivity of events to ensure they remain relevant, with more case studies, site visits, workshops and "ask the panel" sessions. At every event we have two external speakers from established CE projects to share their learning. We have also formed partnerships with Community Energy England and Wales to tap into their local networks and extend our reach.

This approach of staying ahead of the curve has proved highly successful with our highest ever attendance rates and 97% satisfaction. The events build trust between communities and WPD.

Discussing our common objectives is leading to increased interest from communities who want to partner with WPD on innovation trials. Ultimately this is going a long way towards addressing stakeholder feedback to better explain DSO in terms of benefits for local communities themselves.

"New" Introduced "CE feasts" and site visits alongside our workshops

This novel approach offers more informal engagement over food, after meeting successful technology installers and WPD innovation engineers onsite to share learning and inspire prospective schemes. 100% excellent feedback from the 36



participants praised it as a means of keeping them up-to-date with "what's new" in a quickly developing area, via practical hands-on examples.

"Collaboration" Held two joint-DNO CE events to share national learning

As part of the ENA's Stakeholder Best Practice group, WPD led on the topic of CE. The ENA events engaged 131 community and local energy stakeholders, providing them with consistent guidance and access to a broad pool of case studies from across the UK rather than just their host DNO.

✓ **The key output was a new industry-wide best practice guide that all DNOs have published for their stakeholders.**

Responding to feedback at WPD's own workshops to provide DSO information in more practical terms, the guide shares "key lessons to learn" from DNO innovation schemes and case studies of how communities can participate in a more flexible energy system, including demand side response, energy efficiency, electric vehicles, storage and generation.

Specific outputs

- Acting on recommendations in the joint DNO report we developed targeted social media campaigns – reaching 69,417 stakeholders during 'Community Energy Fortnight' and introduced CE group blogs
- Published five new CE guides, including energy storage, supporting vulnerable customers and community-based network innovation
- Worked with Centre for Sustainable Energy to produce a "21 lessons for DNOs on community-based innovation" to find ways to address network constraints at a local level and shared this with all DNOs
- Produced a series of short animated films to help explain the different innovative new business models including alternative connections schemes, local balancing of energy supply and demand, demand side response and energy storage
- Published an extensive range of case studies that make the subject accessible to non-expert stakeholders
- Produced four podcasts with CE groups whose schemes are at various stages of development with WPD. We will also host webinars on storage, electric vehicles and local flexibility markets

Stakeholders tell us the key outcomes are:

- Increased interest from CE groups to play an active role in network innovation projects
- Hearing from leading CE groups is hugely motivating for less advanced groups
- WPD's facilitation of knowledge-sharing and collaboration is helping to create more proactive, sustainable groups, with interests now extending to help vulnerable customers

NEW INNOVATION Smart metered customers



You said: *Stakeholder workshops:* (2017) WPD must ensure the security of smart meter (SM) data and never share it for commercial purposes. (2018): After a SM power cut alert, customers should be able to customise when they receive proactive contact.

We did:

As well as consumer benefits like accurate billing, WPD will be able to use SM data to build energy consumption profiles for local areas, helping us to operate a smarter network and provide quicker connections. This may require data sharing and analysis with universities and trusted third parties. To safeguard customer data, we are implementing specific systems, policies and procedures.

"New" First Ofgem-submitted DNO Smart Meter Data Privacy Plan (DPP)

WPD has led the industry in developing a DPP, after extensive engagement with 300 stakeholders and end users, Citizens Advice and the Information Commissioner's Office. The DPP outlines that for 99% of customers WPD will only hold aggregated

data. For customers in remote locations that are the only users supplied on a substation we will retain readings securely and separately from their name and address.

- ✓ **We wrote to our 7.8m customers to explain and seek views on our DPP.**
- ✓ **We will publish our final DPP and share with all network companies for replication.**

"New" Partnered with suppliers to test no supply alerts and data flows

Working with First Utility and EDF, we installed 12 latest generation meters (SMETS2) in a test environment to enable progress while waiting for Ofgem approval of our DPP. This was to urgently test how we will receive real time alerts and new services we can provide as a result.

Specific outputs

- Contacted all vulnerable customers currently with a SMETS2 meter to invite them to customise when they receive proactive contact from WPD after an off supply alert
- Installed 250 additional devices to test the power cut alert feature with vulnerable customers living in social housing
- Our engagement revealed one barrier to SM take-up is incorrect supplier address data, caused by new build home plots never being converted to postal addresses. Ahead of an industry solution (that is taking a long time), WPD launched a rolling programme of site visits to match meter numbers to supplier billing data. In 2017 this reduced plot addresses by 34% (23,288), also aiding our own shutdown notification processes

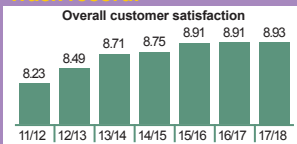
SUMMARY

Reach: 269,181

Cost: £97k

Value: £3.25* per customer

Track record:



*Based on value for money research on page 3 (value of action 1 and 3)

Driven by our strategy:

Networks are facing greater scrutiny than ever before from politicians, wider stakeholders, media and consumer bodies, questioning whether we provide good value for money and act in the long-term public interest. Far from shying away from this thorny issue, we will take heed of this challenge by engaging stakeholders to better understand their concerns, so we can demonstrate our long-term legitimacy, particularly in relation to: a) Delivering future networks (DSO); b) Our costs and levels of profit; and c) Building trust and confidence in our enduring performance.



Stakeholders said:

Government review (Helm): DNOs may not be best placed to deliver smart networks of the future.

MPs: Labour has proposed to re-nationalise ownership of networks.

Citizens Advice: DNO profits and shareholder returns are excessive.

Embedded delivery:

WPD's CEO personally met with MPs (pictured) to discuss WPD's DSO strategy and levels of financial return. WPD Operational Managers hosted a series of "Local Network Investment" workshops for local government and developers.

ENHANCED DELIVERY

MP engagement on DSO and energy policy

Target: Until 2014 WPD's focus was largely reactive, to resolve issues raised by MPs. In 2015 we devised a new strategy, focusing on raising awareness of WPD. This enabled us to begin discussing long-term priorities in 2016. In 2017/18 we advanced this to:

- Disseminate WPD's DSO strategy.
- Proactively shape public policy debate and address cost of energy concerns.
- Gain support for WPD's delivery track record.

We did:

Wrote to every MP in our area, leading to over 50 bilateral engagements

We wrote to MPs after the 2017 general election to educate them (many of them new) about WPD and build their understanding of the future energy system. We focused on: the reasons for grid constraints, our innovation work to address this

and our plans for DSO. This led to extensive, face-to-face engagement including DSO round-table events, bilateral meetings, site visits, meetings with members of the Energy and Transport Select Committees and updates to Welsh Assembly Government. This has shaped policy thinking in a range of areas including DSO transition, energy storage, apprenticeships, vulnerability, fuel poverty and schools education.



Held WPD's 3rd annual parliamentary event with 85 MPs and policymakers on 'energy affordability'

This year we refined our approach, holding drop-in surgeries timed around Prime Minister's Questions. As a result, record numbers met with WPD's

CEO and Operational Managers to discuss our DSO strategy (ensuring long-term affordability) and our vulnerable customer support programme (addressing fuel poverty today).

Specific outputs

- WPD held a DSO "teach-in" session at BEIS, including the Select Committee Clerk, to increase their understanding of WPD's DSO strategy and discuss potential impacts for energy policy
- WPD's Network Strategy Manager appeared before MPs on the BEIS select committee to share industry DSO plans at an evidence session for the government's review into the cost of energy and the future system
- 4,564 Priority Services Register sign-ups (28% increase) after MP promotion to constituents

Gerald Jones MP @Ger... · 3 Feb
 READ: I recently met @wpduk Chief Exec Robert Symons, in calling on people to seek support if they are struggling with energy bills. WPD has an extensive support programme for those who cannot afford their energy and/or keep their home adequately heated bit.ly/2B0lyGM

NEW INNOVATION

First network company to publish 'RIIO accounts'

Target: Address feedback that WPD's accounts and industry financing models can be difficult to understand for wider stakeholders and erroneous claims that WPD make +30% profit margin.

RIIO accounts (providing transparency on WPD's financial and operational performance and profits, in a simple, concise format) will become compulsory in the future, but WPD has issued its RIIO accounts for the 2016/17 year voluntarily. We are seeking stakeholder comments and feedback

on the format and content of the report to help shape future editions. The aim of the RIIO accounts is to reflect regulatory performance, based on the RIIO framework.

Headlines 2016/17		
Cost to average customer		£8.50 a month
Total expenditure		£1.05 billion
Network availability		99.995%
Return on Equity (shareholder profit)		6.5%

In publishing our version we hope this will encourage full industry reporting, improving

transparency across the whole sector as requested by a variety of stakeholders including Citizens Advice, MPs and Ofgem.

- We then hosted Local Network Investment events, led by Operational Managers and Network Planners, to explain expenditure at a local level and ask stakeholders to input into our strategic network plans.
- Commenced engagement with MPs, consumer bodies and others to publicise RIIO accounts and seek feedback.

ENDURING DELIVERY

Build trust by demonstrating a track record of top performance

WPD is a leading participant in Sustainability First's 'NewPin' project, which aims to build understanding between the energy and water sectors and stakeholders, with engagement on long-term public interest issues. It reveals that to build confidence, consumers want quality, resilient utility services and value for money.

While customers have rated WPD number one for satisfaction for the last seven years, our engagement continues to focus on continual improvement. It has led to a wide range of outputs (see Part One, pages 5-7) including extensive stakeholder storm bulletins, a new online power cut reporter

feature, two-way text messaging, new communication channels and greater use of social media. A new storm policy devised after our 2017 workshops was introduced this year: we open Ramp-up Contact Centres (using non-operational staff) to take inbound calls for longer, allowing our core Contact Centres to only proactively call customers, prioritising the vulnerable.

Our performance during unprecedented levels of severe weather in 2017/18 evidences we are building trust and confidence in our long term stewardship of the network, as well achieving highest ever levels of customer satisfaction.

	TOTAL 17 days	5-6 Jun (Gales)	16-Oct Storm Ophelia	10-12 Dec Storm Caroline	26-27 Dec (snow)	2-3 Jan Storm Eleanor	17-18 Jan Storm Fiona	1-5 Mar Storm Emma
Customers restored	614,918	52,830	33,455	123,484	99,990	43,984	53,856	207,319
Calls taken	128,633	14,693	5,994	31,674	17,144	8,353	10,095	40,680
Answer time (seconds)	4.81	2.35	1.99	9.06	6.71	1.57	2.79	3.16
Proactive calls (total)	42,129	5,587	2,325	8,147	4,420	4,712	4,618	12,320
Proactive calls (PSR)	14,194	1,799	934	2,357	1,332	1,551	1,522	4,699
Texts and webchats	40,590	5,048	6,144	1,874	4,790	1,740	4,365	16,629
Customer satisfaction	8.93/10	8.85/10	8.88/10	8.88/10		9.02/10		8.99/10

Specific outputs

- Newpin project stakeholders identified long term infrastructure resilience as a key priority but revealed that there is no mechanism to measure this factor. Using WPD's South Wales network as a case study WPD worked with partners to propose, publish and present a model applicable to both electricity and water
- WPD proposed and led the first ever collaborative electricity and gas National "Be Winter Ready Day". Timed to coincide with the clocks going back, the social media campaign shared resilience advice and details of who to contact in an emergency. Liaison with key stakeholders such as Police, NHS and local resilience groups helped reach over 435,000 customers in WPD's region.

