

By E-mail – RIIO2@Ofgem.gov.uk

Our Reference: 1903Ofgem113
Your Reference:

14th March 2019

RE: Ofgem consultation RIIO-2 Sector Specific Methodology 14 March 2019

Morrison Utility Services comments on workforce resilience

Dear Sir / Madam,

Morrison Utility Services (MUS), part of M Group Services, is the largest utility service provider in the UK, with over 4,500 direct employees all of whom play an essential role in the delivery of works across Gas, Water and Electricity sectors in support of our clients and their respective regulatory objectives.

Having attended various Ofgem and other industry events throughout 2018 as part of the stakeholder engagement process and in support of the Gas and Electricity Network's preparation for Business Plan submissions later in 2019, we have recognised the high priority which Ofgem is affording issues relating to workforce resilience. As we endeavour to improve and maintain the vital utility infrastructure of the UK, we have sought to address the scarcity of skilled and experienced people. This shortage has both increased the costs of labour and put pressure on the delivery of key operational targets.

MUS is broadly supportive of Ofgem's proposals relating to an increased focus on workforce resilience for the next Price Control period.

Consultation question

Ofgem's recent Sector Specific Consultation document sets out the following question:

CSQ27. Where companies include a sustainable workforce strategy as part of their Business Plans, what measures do you think could be established to hold companies to account for delivering these plans, without distorting optimal resourcing decisions?

We consider this factor to be critical to the long-term performance of contracts and so most companies should be responsible enough to provide for this without measures being put in place.

Many of the measures to monitor overall workforce resilience would be difficult to police, as they are inherently subjective. For example, it would be difficult to measure the transfer of knowledge, or to identify where critical knowledge is within a business that needs to be transferred. It would be similarly difficult to legislate or measure the effectiveness success of a mentoring programme.

We suggest that the most effective way to regulate this will be to ensure that all companies have a viable and credible plan in place to ensure a sustainable and resilient workforce.

There are obvious risks when setting targets, as this can lead to a focus on those targets rather than overall efficiency. For example, target quotas for trainees could lead to a culture in which trainees are valued only for their target-reaching potential, rather than a culture of developing trainees into more experienced roles as part of a succession planning process. The constant need to achieve and out-perform targets could mean that qualified candidates would be dismissed to make way for new people.

We also caution that there is a potential conflict between the regulatory ambition of limiting financial returns and a culture which thrives on investing in people.

Challenging financial constraints can work against a resilience strategy because it may lead to a reduced investment in people. Ultimately, if private sector companies are struggling for funds, they will likely reduce their willingness to invest. Trainees recruited in year one may not deliver real value for two or perhaps three years. Traineeships should be viewed as a long term investment that requires an enhanced degree of short term outlay. Long term investment in people within our industry is critical to our future ability to deliver the outputs defined by Ofgem and demanded by consumers in terms of value of money.

One way to help overcome the short term impact of trainee investment could be **an incentive payment for companies**, which could be paid to supply chain partners (where appropriate) to encourage meaningful training opportunities.

Conclusion

The material produced by Ofgem in relation to the next price control period demonstrates that the regulator is giving this matter the attention it warrants and is putting measures in place which will enable a more sustainable and resilient workforce across the sector. We therefore believe that Ofgem's approach to workforce resilience will be beneficial to the long

term ability of the industry to maintain and enhance Gas and Electricity networks for consumers at the lowest cost possible. We support the inclusion of these measures in the next Price Control period.

Morrison Utility Services