

Dermot Nolan
Chief Executive, Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Wales & West House Tŷ Wales & West
Spoooner Close Spoooner Close
Celtic Springs Celtic Springs
Coedkernew Coedcernyw
Newport NP10 8FZ Casnewydd NP10 8FZ

Telephone/Ffôn: **0800 912 39 99**
Fax/Ffacs: **0870 1450076**
Email/E-bost: enquiries@wwutilities.co.uk
www.wwutilities.co.uk

31 July 2019

Ensuring confidence in RIIO-2 Business Plans

Dear Dermot,

I refer to your letter dated 4 June. We fully recognise the need to submit a well justified Business Plan, and are pleased that the enhanced engagement process provides the opportunity for review and challenge ahead of the formal submission in December 2019.

The Plan we are submitting will be our most stakeholder focussed plan to date - with a significant engagement from a wide range of people and organisations, including our own CEG. This will ensure we deliver the priorities our customers have said they value.

In response to the specific points raised in your letter, I would comment as follows;

- Our intent has always been to develop a Plan that is accurate and robust - and importantly represents good value for money for customers and consumers. Your reference to 'financeable' is covered later in this letter.
- Our Plan will be subject to extensive quality assurance. In addition to our detailed internal review processes, we have engaged external auditors to provide additional assurance for our Plan. We also expect to provide Board assurance for our final December 2019 submission, subject to financeability of course.
- Board engagement on RIIO2 began in 2018 with the creation of a Board working group - consisting of five Board members (including both Independent Directors), plus the senior internal team leading the process. This group meets at least monthly, with its terms of reference including full review and strategic input to our Plan. This working group updates the full Board at each of their meetings.
- There is clear understanding by the Board that it is ultimately responsible for the final Plan to be submitted in December.

Smell gas? Call us!
Aroglï nwy? Ffoniwch ni!

0800 111 999

All calls will be recorded and may be monitored
Bydd yr holl alwadau'n cael eu cofreodi ac
fe allant gael eu monitro

You asked for confirmation that our business plan will be financeable. If we based our plan on Ofgem's financing working assumptions our business would not be financeable. This can be seen from the draft Plan submitted to the Ofgem Challenge Group on 1 July. We are submitting a Plan based on financing assumptions that reflect the independent guidance received - to ensure financeability in line with the rationale set out in our draft Plan.

You will recall when we met a few months ago I said that we disagree with some of Ofgem's current financing working assumptions, as well as its stated position regarding its financing duty. Our position was outlined in our responses to the RIIO2 consultation documents. Our legal advice states that Ofgem should assess financeability against the circumstances of each company, and not on the basis of a notional company. This is a fundamental issue for WWU.

We will continue to work positively with Ofgem, the RIIO2 Challenge Group and our CEG over the coming months as we further develop our business plan. Our goal is to ensure that we enter GD2 in a position where we can continue to deliver the excellent service customers have received from us in GD1 - and ensure that we are financeable in the process.

Your sincerely,



Graham Edwards

Chief Executive

Smell gas? Call us!
Arogi nwy? Ffoniwch ni!

0800 111 999

All calls will be recorded and may be monitored
Bydd yr holl alwadau'n cael eu cofnodi ac
fe allant gael eu monitro



Wales & West Utilities Limited
Registered Office:
Wales & West House, Spooner Close, Celtic Springs,
Coedkernew, Newport NP10 8FZ
Registered in England and Wales number 5046791